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01                   BEFORE THE CALIFORNIA HORSE RACING BOARD

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02                                 STATE OF CALIFORNIA

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03                                 ALAN W. LANDSBURG, CHAIRMAN

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07   In the Matter of:                                 )

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08   The Regular Board Meeting of the                 )

08   California Horse Racing Board                     )

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17                                 TRANSCRIPT OF PROCEEDINGS

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18                                 Del Mar, California

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19                                 Thursday, July 25, 2002

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25   Reported by:

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26   LAUREEN BADAR, RMR

26   CSR No. 12047

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27   Job No.:

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BEFORE THE CALIFORNIA HORSE RACING BOARD

STATE OF CALIFORNIA

ALAN W. LANDSBURG, CHAIRMAN

In the Matter of: )  
 )  
The Regular Board Meeting of the )  
California Horse Racing Board )  
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TRANSCRIPT OF PROCEEDINGS, taken  
at the Del Mar Satellite Wagering Facility,  
2260 Jimmy Durante Boulevard, Del Mar,  
California, commencing at 10:15 a.m.,  
on Thursday, July 25, 2002, heard before  
ALAN W. LANDSBURG, Chairman, reported by  
LAUREEN BADAR, RMR, CSR No. 12047, a  
Certified Shorthand Reporter in and for  
the State of California.

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01 APPEARANCES:

01

02 Chairman: Alan W. Landsburg

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03 Vice Chairman: Roger H. Licht

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04 Member: William A. Bianco

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05 Member: Sheryl L. Granzella

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06 Member: John C. Harris

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07 Member: John C. Sperry

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08 Executive Director: Roy C. Wood, Jr.

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09 Deputy Attorney General: Thomas A. Blake

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AGENDA ITEM NUMBER:

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- 1 - Approval of the minutes of the  
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- 2 - Discussion and action by the Board  
on the Application for License to  
Conduct a Horse Racing Meeting of the  
Bay Meadows Operating Company, LLC (T)  
at Bay Meadows, commencing August 30  
through November 3, 2002, inclusive.

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- 3 - Discussion and Action by the Board  
on the Application for License to  
Conduct a Horse Racing Meeting of  
the Los Angeles County Fair (F) at  
Fairplex, commencing September 13  
through September 29, 2002, inclusive.

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- 4 - Discussion and action by the Board  
on the Application for License to  
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Capitol Racing LLC, (H) at Sacramento,  
commencing September 27, 2002, through  
February 23 2003, inclusive.

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- 5 - Discussion and action by the Board  
on the approval of the annual distribution  
of a portion of the unclaimed refund monies,  
adjusted for inflation, to the Jockeys' Guild  
Health and Welfare Trust, pursuant to Business  
and Professions Code Section 19612.9.

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- 6 - Discussion and action by the Board  
on the request of the Oak Tree Charitable  
Foundation to distribute charity racing day  
proceeds in the amount of \$97,000 to 47  
beneficiaries.

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- 7 - Discussion and action by the Board  
on the request of the Pacific Racing  
Association to distribute charity racing  
day proceeds in the amount of \$68,300 to 17  
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- 8 - Staff report on the following  
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A. Los Angeles Turf Club

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B. San Joaquin Fair

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06 B. Report by TVG

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06 C. Report by YouBet

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07 11 - General Business

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01 Del Mar, California, Thursday, July 25, 2002  
02 10:15 a.m.

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05 MR. WOOD: Good morning, ladies and gentlemen. If  
06 everyone would please take a seat, we'd like to begin this  
07 morning's meeting.

08 Good morning, and welcome to the regularly  
09 scheduled meeting of the California Horse Racing Board.  
10 This meeting is being conducted on Thursday, July 25th,  
11 2002. And we're at the Del Mar Satellite Wagering  
12 Facility in Del Mar, California.

13 Present at today's meeting are Chairman Alan  
14 Landsburg, Vice Chairman Roger Licht, Commissioner William  
15 Bianco, Commissioner Sheryl Granzella, Commissioner John  
16 Harris, Commissioner John Sperry.

17 Before we begin with the business part of our  
18 meeting, I would respectfully request, if you give  
19 testimony to this Board, that you please provide your name  
20 and your organization, before you begin to speak, for our  
21 court reporter. If you have a business card to provide  
22 her, that will be very acceptable.

23 With that, I'd like to turn the meeting over to  
24 our chairman, Mr. Alan Landsburg.

25 MR. LANDSBURG: Good morning, and welcome to the  
26 warmth of Del Mar and the pleasantness of racing and the  
27 knowledge that we had at Del Mar a second-to-the-largest  
28 crowd ever yesterday. For those of you who were trying to

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01 drive in while it was underway, we join you in the sweat  
02 of waiting.

03 Opening the items for action today, we will start  
04 our discussion with approval of the minutes of the regular  
05 meeting of June 6th, 2002.

06 Are there any comments on the text of the  
07 meeting?

08 If there are no comments, I'll entertain a motion  
09 to approve the minutes.

10 MS. GRANZELLA: So moved.

11 MR. LICHT: Second.

12 MR. LANDSBURG: Moved and seconded.

13 All in favor?

14 MEMBERS: Aye.

15 MR. LANDSBURG: Opposed?

16 The minutes have been approved for the regular  
17 meeting of June 26th, 2002.

18 Moving on to our second item of business,  
19 discussion and action by the Board on the Application for  
20 License to Conduct a Horse Racing Meeting of the Bay  
21 Meadows Operating Company, at Bay Meadows, commencing  
22 August 30th through November 3rd, 2002, inclusive --

23 Jackie?

24 MS. WAGNER: Good morning, Commissioners.

25 Jackie Wagner, CHRB staff.

26 The application before you is from the Bay  
27 Meadows Operating Company. They are proposing to race

28 August 30th through November the 3rd, 49 days, which is  
0008  
01 two days less than they raced last year. They are  
02 proposing to race a total of 421 races, or 8.6 races per  
03 day. They do meet the standards set in the requirement  
04 for our stakes purses paid to Cal-Bred.  
05 They will be racing five days per week, Wednesday  
06 through Sunday, with eight races Wednesday, Thursday, and  
07 Friday, and nine or ten races on Saturday, Sunday,  
08 holidays, and days of special interest.  
09 They have a number of first post times that  
10 correlate with the overlaps. They will have a 1:45 p.m.  
11 post time during the overlap with Del Mar. During the  
12 overlap with Fairplex, they are proposing a 1:15 post  
13 time. During the overlap with Oak Tree, their post time  
14 will be 12:45.  
15 They have a 7:15 post time for Friday, September  
16 the 20th through November the 1st; a 3:15 post time on  
17 Friday, August 30th and September 6th; an 11:15 a.m. post  
18 time on Breeders' Cup, which is Saturday, October  
19 the 26th; and they are proposing a 12:15 post time for  
20 Saturday, November the 2nd, which is the date of the  
21 California Cup.  
22 We have a signed horseman's agreement. And the  
23 only item that is missing is the fire plan.  
24 Staff would recommend that the Board approve the  
25 application contingent upon us receiving that information.  
26 MR. LANDSBURG: I'm not quite clear. Does it mean  
27 Friday, racing every -- every racing day between  
28 September 20th and November 1st, or is it Fridays?  
0009  
01 MS. WAGNER: Fridays.  
02 MR. HARRIS: I thought, when we originally approved  
03 the racing dates for last year, that one of the things  
04 during the overlap was justification -- or, basically, a  
05 day of overlap was the 30th, was a day they were racing  
06 evenings, which wouldn't really overlap in Sacramento. I  
07 think something has been worked out by Sacramento.  
08 MS. THURMAN: Bernie Thurman from Bay Meadows.  
09 MR. LANDSBURG: Please step a little closer, just a  
10 little closer to the microphone.  
11 MS. THURMAN: Right.  
12 MR. LANDSBURG: Or pull the microphone to you.  
13 MS. THURMAN: Okay.  
14 We felt that running a twilight card concurrent  
15 with Del Mar would increase handle in the network; and in  
16 that we are partners with Cal Expo on the off-track  
17 commissions, that it would be beneficial to all parties  
18 for us to run during the time that Del Mar was running.  
19 MR. HARRIS: I'd rather that Sacramento be in that.  
20 MS. THURMAN: I think all three of us are running at  
21 the same time. And we'll coordinate our post times  
22 similar to what we do on Saturday, Sunday, and Monday  
23 during the overlap.  
24 In addition, we had offered to Cal Expo to make  
25 them hold any out-of-the-state or on-track commissions  
26 that they would have lost due to the possibility of us

27 changing our post time.  
28 MR. HARRIS: There was some talk of adding a day, too.  
0010  
01 Is that part of this application?  
02 MS. THURMAN: I would -- Bay Meadows believes that it  
03 would be beneficial for both Northern and Southern  
04 California -- for us to race a concurrent race day on  
05 Wednesday, September 4th, with Del Mar.  
06 MR. HARRIS: Why didn't you apply for it then?  
07 MS. THURMAN: I believe I wrote a letter amending the  
08 application.  
09 MR. HARRIS: You feel it's an amended application?  
10 MS. THURMAN: Pardon me?  
11 MR. HARRIS: You feel the application has been  
12 amended?  
13 MS. THURMAN: September 4th, which is a Wednesday.  
14 I don't think Jackie got a copy of the letter.  
15 Do you want a copy of it?  
16 MR. WOOD: Mr. Liebau submitted a letter requesting  
17 that the application be amended, which is included in your  
18 package, I believe, for September the 4th.  
19 But the actual September 4th date that they were  
20 requesting did add to this application. The amendment was  
21 not granted as an allocated race day.  
22 MR. HARRIS: Right.  
23 MS. THURMAN: Right.  
24 MR. HARRIS: I think one of the issues, when we looked  
25 at the dates last year, that we had a lot of debate -- why  
26 we spent -- a lot of time was spent on it was that we  
27 tried to get away from six-day weeks in Northern  
28 California unless there's some overriding need to try to  
0011  
01 fill the field size. And it just seemed to me that adding  
02 another day would not be prudent, where your field sizes  
03 are still -- even in your calculations, are only about  
04 seven head per race, which I think you've got to make a  
05 real justification for a need and support from all the  
06 different segments that do it.  
07 MS. THURMAN: It's our contention that Wednesday, the  
08 4th of September, is a unique day in that New York is  
09 dark. So California export handles out of state will  
10 probably be higher than on a normal Wednesday. History  
11 shows that handle increases on days when two or more  
12 California cards are offered concurrently. So we believe  
13 it would be beneficial for both Northern California and  
14 Southern California. It would increase jobs, increase  
15 opportunities for horsemen to run for purses. We think  
16 it's beneficial.  
17 MR. LICHT: I think there is a major increase,  
18 obviously, in jobs. You'd be providing a full force that  
19 day. And I think, also, isn't that Wednesday Del Mar  
20 (inaudible)? It's an important day at Del Mar. It's not  
21 a typical Wednesday closing day.  
22 MR. HARRIS: This is not a closing day. This is the  
23 previous Wednesday to the closing day.  
24 MR. LICHT: Oh, okay.  
25 UNIDENTIFIED SPEAKER: Wednesday after Labor Day.



26 MS. THURMAN: Right.  
27 MR. HARRIS: We do care that the closing date -- which  
28 is a concurrent date.

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01 MS. THURMAN: Right. September 4th would be the only  
02 day that Southern California would be running without a  
03 Northern California signal.

04 MR. HARRIS: My concern, which I think some of the  
05 other people can state their opinions on it -- but you're  
06 coming off the fair. See, that adds six days of racing a  
07 week. And you're coming off an overlap of Sacramento. It  
08 just seems like we're using up a lot of horses, that --  
09 I'm just concerned about the overall September program  
10 detriment by running too much in the first part of  
11 September.

12 MR. LICHT: And NYRA is a factor that would seem to  
13 affect -- that could be an important factor. I mean, I  
14 think -- correct me if you know this, Bernie.

15 I think -- doesn't Turf Paradise get a million  
16 dollars a handle on their Tuesdays because they're the  
17 only game in town, basically, for NYRA?

18 MS. THURMAN: Correct. It's a shelf-space issue. So  
19 the people that come to wager in an out-of-state location  
20 have no NYRA to bet on, so they bet on other singles.

21 MR. FRAVEL: Mr. Chairman, Craig Fravel of Del Mar  
22 Racetrack. I just wanted to speak in support of the  
23 September 4 date.

24 We've had a lot of experience with the concurrent  
25 cards, and there is a significant impact on our southern  
26 zone handle and -- southern and central zone handle when  
27 there is no concurrent northern signal.

28 We've experienced that with Sacramento. If it's  
0013

01 running an earlier post time -- and we're glad to hear  
02 that everybody is going to run concurrently with us on  
03 Fridays. But there is a major impact on handle if there  
04 isn't a supporting signal from the Northern zone. So we  
05 are strongly in support of the request of Bay Meadows to  
06 run on the 4th.

07 MR. JOHNSON: Mr. Chairman, Don Johnson, TOC.

08 Commissioners, first of all, I'd like to comment  
09 on Jackie's report.

10 We do have a signed purse agreement, but it's  
11 subject to approval of the overnight purse schedule and  
12 the State's schedule.

13 Mr. Liebau has been in (inaudible). He comes  
14 back the 1st of August, I believe. This will be settled  
15 in one day when he gets back. And we don't -- it's not  
16 contentious at all; it's just that we have this -- we've  
17 had this overnight schedule now for the last two years.  
18 We've tried to make it consistent with Bay Meadows and  
19 Golden Gate.

20 But there's additional purse money which can be  
21 utilized at this time, and so we want to raise those  
22 overnight purses from what they are today for this  
23 upcoming meet. Same with the State's schedule; there will  
24 be a slight increase there. And when he gets back, that

25 will be resolved promptly.  
26 But as I say, we have a signed agreement. I just  
27 didn't want to mislead you; that there is this one point  
28 open, but it's not a contentious point. It will be worked  
0014 out.  
01  
02 Also, we support the September 4th racing  
03 agreement (inaudible).  
04 MR. LANDSBURG: Thank you.  
05 MR. ELLIOTT: Dave Elliott, Cal Expo.  
06 I'd like to make sure -- I'm sorry, I didn't know  
07 about the TOC issue with their request for an increased  
08 number of overnight purses. I just want to make sure that  
09 those overnight purses don't occur during the overlap  
10 period, number one. That's the first I heard of it;  
11 because, obviously, by law, we're required to pay 100  
12 percent of what Bay Meadows pays, which would require us  
13 to do an addendum, if you will, to our condition. It  
14 would just -- it would be a problem, number one.  
15 Number two, I have a question. In the simulcast  
16 schedule that I received via e-mail from Kay Webb -- she  
17 does a great job from Bay Meadows of letting everybody  
18 know what's going on with the upcoming Bay Meadows meet.  
19 Over here on the right-hand side, it says "Friday  
20 night card, 9/20 to 11/1." Those, I believe, are  
21 inclusive of two Friday nights with Pomona -- or two  
22 Fridays with Pomona. Is that incorrect? During the  
23 entire Pomona meet, is Bay Meadows going to run during the  
24 day concurrent with Pomona?  
25 MS. THURMAN: Bernie Thurman, Bay Meadows.  
26 The first Friday, we will be running concurrently  
27 in the afternoon with Pomona; the second Friday of Pomona,  
28 we'll be running in the evening.  
0015  
01 MR. ELLIOTT: And then the third Friday of Pomona, Bay  
02 Meadows will be running in the evening as well?  
03 MS. THURMAN: Yes. The first Friday of Pomona will be  
04 the only afternoon card; thereafter, we'll run Friday  
05 nights.  
06 MR. ELLIOTT: I would just like to bring up, so the  
07 Board understands, that Bay Meadows did send us a letter.  
08 And, unfortunately, Mr. Liebau obviously had business out  
09 of the country. I did not get a chance to respond to him;  
10 however, since then I did respond. I sent a fax to  
11 Mr. Liebau's office.  
12 The letter that I'm hoping that the Board got  
13 from Mr. Liebau -- it talks about how they will make us  
14 whole. But if you read the second page of the letter,  
15 there are caveats to making us whole.  
16 Mr. Liebau also states in his letter that -- you  
17 know, any purse money that we lose for that period, that  
18 we'll just be able to make it up from the Supplemental  
19 Purse Fund.  
20 Not true. The Supplemental Purse Fund is there.  
21 We're allocated a specific amount, which for this year is  
22 \$130,000. We're allocated because we're overlapped.  
23 That's it. I don't get any more.

24 Any purse fund deficiencies that we have from  
25 them running on top of us on that Friday we will have to  
26 make up. Mr. Liebau is not offering to make that up,  
27 number one. He's offering to make us up whole only if we  
28 have reduced commissions, if we don't make more  
0016 commissions on the Bay Meadows signal at Cal Expo. It  
01 just doesn't work for us.  
02  
03 They're not real worried -- it's evident they're  
04 not real worried about concurrent times, post times on  
05 those Fridays, because, obviously, they're running at 1:15  
06 at Fairplex. You know, they're running at 7:00 or --  
07 7:15 or 7:00 o'clock the next two Fridays at Fairplex.  
08 And then when Oak Tree and Santa Anita runs --  
09 Santa Anita is not God. I don't think they have lights at  
10 Santa Anita yet. They're running on Friday afternoons,  
11 and Bay Meadows is running on Friday night.  
12 Bay Meadows has been the first one in front of  
13 this Board to basically talk about the great promotion  
14 that they do on track at Bay Meadows on Friday nights.  
15 Friday is a live promotion. They don't bet a lot of  
16 money, but there's a lot of people there. They do a great  
17 job.  
18 We're just talking about economics here. They're  
19 going to make a few extra thousand dollars by racing  
20 Friday there, a few extra thousand, at our expense. And  
21 it's just further intrusion of overlap into our card. We  
22 have 12 days to make it. They have like 200. Magna has  
23 like 285.  
24 MR. LANDSBURG: I take it then your objection is only  
25 to the Friday night utilization.  
26 MR. ELLIOTT: Well, it's monitoring the Racing Dates  
27 Committee, Chairman Landsburg. Obviously, I'll be  
28 providing more information against overlaps with dates  
0017 next year, but it's -- for this year, overlap is here.  
01 You know, we're stuck with four days of overlap with Bay  
02 Meadows.  
03 I'm asking that the Board ask Bay Meadows to run  
04 this opening Friday night, due to the Friday Nights Alive  
05 opening night promotion that they've done for years --  
06 it's very important to them. I have all the documents.  
07 Let them do it again this year at 7:15 instead of running  
08 with us at 3:15.  
09 MR. TUNNEY: Mr. Chairman, Members of the Board, I'm  
10 Peter Tunney, representing the 230 days of Magna  
11 Entertainment Corporation's racing ventures.  
12 I am actually here just to address -- to use the  
13 same word that Mr. Elliott did, "concurrent." There is  
14 just absolutely hours and hours of testimony in front of  
15 the Dates Committee, hours and hours of testimony in front  
16 of this Board. There's just absolutely no question about  
17 the fact that if you race in Southern California, you  
18 should cover those dates in Northern California.  
19 It's in the best interests of the state; it's in  
20 the best interests of the horsemen; it's in the best  
21 interests of the jockeys. It's just -- it's just found

23 money. Kind of going back to Commissioner Licht's  
24 comments of picking up an Eastern signal, it's just found  
25 money. It's in everybody's best interests at the  
26 concurrent racing ordinance (inaudible).

27 Thank you.

28 MR. DOUGHERTY: Charlie Dougherty, California  
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01 Thoroughbred Trainers.

02 Mr. Harris, we, too, share your concerns of the  
03 six-day weeks. We have been very open with regards to  
04 that; however, in this case, given that it's just a  
05 request for the one day, and based on the assumption that  
06 Bay Meadows would not be requesting any other additional  
07 six-day weeks, we can support giving them this day.

08 MR. ELLIOTT: Dave Elliott, Cal Expo.

09 I'd like to speak again to Mr. Tunney's comment  
10 on concurrent racing.

11 For the last seven or eight weeks there is no  
12 concurrent racing. Keep that in mind. They're going 7:15  
13 in the evening, when Santa Anita is running during the  
14 day. There is no concern about consistency of Friday  
15 night post times. There is no concern about concurrent  
16 racing. Their Friday night post times are all over the  
17 board. They're not running with Santa Anita. That's big  
18 dollars when Bay Meadows is running with Santa Anita.

19 So I'd just ask this Board to ask Bay Meadows to  
20 continue to do their great Fridays Alive promotion that  
21 they've done on their opening during that overlap week.  
22 And for a number of years -- it's very important to them.  
23 And to not cost us, it's just -- economically, it's going  
24 to hurt us. It's going to hurt Cal Expo.

25 MS. THURMAN: Bernie Thurman again from Bay Meadows to  
26 address the Friday post-time issue.

27 During the San Mateo fair, we're planning to run  
28 a 3:15 post on Fridays to run concurrently with Del Mar.  
0019

01 We wanted to show some sort of consistency, so that four  
02 Fridays in a row we will be at the same post time, 3:15.

03 Then we will --

04 MR. SPERRY: Excuse me. Can you move the microphone  
05 closer to you?

06 MS. THURMAN: Sure.

07 We would be running 3:15 post times for four  
08 Fridays in a row, stretching from San Mateo Fair through  
09 the first two Fridays of the Bay Meadows meet. Horsemen  
10 had not really liked us running as many Friday night cards  
11 as we had in the past, so we cut three of them during the  
12 spring meet. And in a consistent manner, we're trying to  
13 cut three of them during the fall meet.

14 We looked at our group sales to try to pick up  
15 the days where we've maximized the attendance. And that's  
16 why we picked the fourth Friday of the meet as the first  
17 time to go with the evening cards. I know it looks a  
18 little silly. It looks like we picked a lot of different  
19 post times. But there was a method between all the  
20 choices.

21 MR. HARRIS: On that September 4th date, who could

22 you -- all right, there must be somebody that you could  
23 simulcast in. I don't know. It might be that you would  
24 be open -- the Northern network would be open; it's just  
25 you wouldn't be running live races. You'd be bringing in  
26 Del Mar, and there must be some other tracks you could  
27 bring in.

28 MS. THURMAN: Sure. I think we would handle about a  
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01 million-one if we took Del Mar up to 23 races from other  
02 out-of-state locations. Last year, when we did race on  
03 the Wednesday after Labor Day, Bay Meadows races  
04 themselves handled 3.1 million, generating 609,000 in  
05 take-out. So we'd be leaving that on the table.

06 MR. HARRIS: Yeah. Well, there's always the debate  
07 that if you leave it on the table to pick it up other  
08 days -- I don't think it would be all a loss.

09 MS. THURMAN: Sure.

10 MR. HARRIS: But some of them might be.

11 My concern is just the number of horses that you  
12 have in the Northern circuit, the decline; indicating  
13 complaints from fans, who are never represented at these  
14 meetings, that the field sizes are pretty dismal. And  
15 there's so much emphasis on trifectas and superfectas,  
16 that it's tough, if you've got a bunch of six- or  
17 five-horse fields.

18 And you had so much racing through the summer due  
19 to the fairs, I'm just concerned that your -- I mean, I  
20 know that Jack is called -- Jack Liebau is kind of the  
21 Will Rogers of racing days. He never met a day he didn't  
22 like.

23 MS. THURMAN: That's a point well taken.

24 MR. HARRIS: But is there any other day? I mean, do  
25 you feel there is any other date in your whole fall  
26 schedule that would be a lesser date than this date? Is  
27 there any other date that you can say "Give it up and take  
28 this date"?

0021  
01 MS. THURMAN: Well, this is the only nonconcurrent  
02 race day in the schedule. So if you're suggesting that  
03 we, you know, pick up another day and then be  
04 nonconcurrent on a different day, you'd end up with a  
05 four-day race week on the other choice.

06 And, sure, probably the Thursdays during Pomona  
07 are weaker than what that Wednesday would be in state and  
08 out of state as well. But I'd hate to go to a four-day  
09 race week given our labor situation.

10 And I may add then in September of last year the  
11 field size was actually higher than the average field size  
12 for the year. And I'm proud to say that with cooperation  
13 of the horsemen and a lot of work from our racing office  
14 and the year-round purse program, that the Bay Meadows  
15 field size during the spring meet did actually increase by  
16 .16 for us in spite of the workmen's comp issue.

17 MR. HARRIS: .16. That's about -- how many horses a  
18 day is it?

19 MS. THURMAN: It went from 685 to 701 in the spring  
20 meet.

21 MR. HARRIS: That's still down there.  
22 Go ahead.  
23 MR. DOUGHERTY: Charlie Dougherty, California  
24 Thoroughbred Trainers.  
25 I'd just like to join in on the Friday night  
26 issue. As the Board is very aware, the trainers really do  
27 not like Friday nights. It's a grind on their help, and  
28 it's a grind on the help especially the next day following  
0022 the races.  
01 So for any less days that Bay Meadows applies for  
02 Friday nights not to be run, we support. So we would like  
03 to see the less Friday nights run as possible.  
04 MR. HARRIS: Thank you.  
05 MR. LANDSBURG: And to that Bay Meadows says --  
06 MS. THURMAN: Friday nights are hard, but we feel that  
07 we have to do something to promote new fans to come to our  
08 industry. And so it's a building-for-the-future process.  
09 What we've tried to do is run less of them and do  
10 more special things on the Fridays that we are going to  
11 run Friday night cards, or man some Internet promotions,  
12 web sites, sort of handicapping contests, trying to get  
13 the younger crowd really interested in racing, try to  
14 teach them about racing.  
15 MR. LANDSBURG: But your crowd does not have the  
16 ability to bet on Southern races?  
17 MS. THURMAN: Friday nights?  
18 MR. LANDSBURG: Yes.  
19 MS. THURMAN: Correct.  
20 MR. LANDSBURG: And the loss there is palatable?  
21 MS. THURMAN: We actually handle more on-track on  
22 Friday night than we do Friday afternoon, so in that we  
23 make more commission money on live races than we do on  
24 simulcast races. It's pretty much a push, a push in  
25 revenue.  
26 MR. LANDSBURG: Is there further comment on this?  
27 I think it behooves the Board to take the three  
0023 items as separate rather than all together.  
01 Is there any further discussion now on the  
02 September 4th request?  
03 If there is no further, may I have a motion  
04 regarding the September 4th so that we can get a consensus  
05 of the Board on whether or not it will approve the  
06 September 4th date?  
07 MR. BIANCO: I'll make the motion, Alan, that we  
08 approve September 4th.  
09 MR. LANDSBURG: Motion has been made by Commissioner  
10 Bianco that we approve September 4th as an added day.  
11 MR. LICHT: Second.  
12 MR. LANDSBURG: Commissioner Licht has seconded.  
13 All in favor?  
14 MEMBERS: Aye.  
15 MR. LANDSBURG: Raise hands, so we can see where we  
16 are.  
17 We're 4-2. And for that --  
18 MR. HARRIS: I propose that maybe we should --  
19

20 MR. WOOD: Maybe you should take a roll call then.  
21 MR. LANDSBURG: Commissioner Bianco?  
22 MR. WOOD: Everyone --  
23 MR. LANDSBURG: Okay. Commissioner Bianco has  
24 approved. Commissioner Licht has approved. I have  
25 approved. And Commissioner Granzella has approved.  
26 All opposed?  
27 Commissioners Harris and Sperry are opposed.  
28 Therefore, the date is approved for Bay Meadows.

0024  
01 And the question of --  
02 Does Friday night represent a change -- that is a  
03 question to you -- from last year's schedule?  
04 I'm sorry. I don't have that. It is a change --  
05 MS. THURMAN: Yes.  
06 MR. LANDSBURG: -- and, therefore, subject to further  
07 discussion among the Board as to whether the three Friday  
08 nights -- the 20th, 27th of September -- sorry. The three  
09 Friday nights are --  
10 Yes.  
11 MS. THURMAN: August 30th, September 6th,  
12 September 13th --  
13 MR. LANDSBURG: -- September 20th, 27th.  
14 What about October?  
15 MS. THURMAN: Last year we raced all of our Friday  
16 nights at night.  
17 MR. LANDSBURG: Right.  
18 MS. THURMAN: This year we're proposing to run three  
19 during the afternoon or twilight cards. The first two  
20 would be twilight cards, then a day card. The balance of  
21 them would be run at the same time as last year, subject  
22 to --  
23 MR. LANDSBURG: So the balance is six races, is  
24 that -- or seven race nights, according to this schedule  
25 that I have in front of me -- seven race nights on Fridays  
26 on which you will have no concurrent racing with --  
27 MS. THURMAN: Correct.  
28 MR. LANDSBURG: -- Southern California.

0025  
01 MR. LICHT: Why the 13th, Bernie? Del Mar is over by  
02 then, right?  
03 MS. THURMAN: Del Mar is over by then. We had very  
04 few group sales on that Friday, so we thought it made  
05 sense to run concurrently with Del Mar.  
06 MR. HARRIS: It's a lucky day.  
07 MS. THURMAN: It's Friday the 13th.  
08 MR. HARRIS: I don't really have a big problem with  
09 when you run on the Fridays one way or the other. I only  
10 want to be clear on the Sacramento issue, how they're  
11 damaged, one way or the other.  
12 As far as pooling, you're pooling the --  
13 everything gets split anyway.  
14 MS. THURMAN: Everything generated on the off-track  
15 network, 60 percent goes to Cal Expo, 40 percent to Bay  
16 Meadows. So we were actually surprised at Mr. Elliott's  
17 being upset about this because we thought that it would  
18 generate more revenue, being open in the afternoon.

19 MR. HARRIS: Everyone keeps their on-track?  
20 MS. THURMAN: Correct.  
21 MR. ELLIOTT: That is correct. Everybody keeps their  
22 on-track. When they're overlapped with us, the direct  
23 overlap on Saturday, Sunday, and Monday, we're the third  
24 man out on California. Then if you include all the out of  
25 state as well, the live commissions on track for us will  
26 diminish. They will go down.  
27 Mr. Liebau has offered a deal -- a negotiation to  
28 us, for us to negotiate for even. We're just negotiating

0026

01 even. I opposed this. The problem is we keep our own --  
02 for the purse money, whatever is bet on our races in  
03 Northern California, that generates purse money. Last  
04 year it was 34,000 for that one Friday, okay?

05 Mr. Liebau is under the assumption that if they  
06 race against us, our handle goes down, we generate less  
07 purse money. He's not offering to make that up because he  
08 feels that we can just go take it from the Supplemental  
09 Purse Fund, which isn't the case, number one.

10 Number two, live on-track commissions is what we  
11 keep in our pocket. Mr. Liebau is offering to make us  
12 whole on those live on-track commissions, but there's  
13 caveats in the letter. It's based on comparable race  
14 cards. Well, who's going to interpret the comparable race  
15 cards? Who's going to interpret that, number one?

16 Number two, if we make more money because  
17 Bay Meadows is racing on that day, with our little  
18 satellite wagering commission of 2 percent to get us even  
19 with our live commissions, then they're not going to make  
20 us whole.

21 There's no -- we're willing to negotiate, but --  
22 and we sent a letter to Mr. Liebau, but we want to be made  
23 whole just for that one day. Forget Del Mar commissions  
24 in the north; forget Bay Meadows commissions off-track;  
25 forget all of that. Just if they would -- if they would  
26 come to the table and talk about that one day, they make  
27 up the money that we lose in purse money to the horse men,  
28 and they make up the money that we make on commissions for

0027

01 our live on-track handle; and out of state, of course.

02 MS. THURMAN: I think the spirit of Mr. Liebau's  
03 letter was that if in total Cal Expo was harmed, we would  
04 make them whole. Our feeling was that the 60 percent  
05 commission increase would more than compensate any loss in  
06 export handle and on track.

07 Commissions on track last year, I believe, were  
08 14,000; and out of state were 3,000; so that if the  
09 60 percent share that went to Cal Expo was less than that  
10 net of 17,000, we would make them whole.

11 MR. LANDSBURG: In the field of economics, I get  
12 easily befuddled, easily lost. I know an awful lot about  
13 a lot of things, but this ain't one of them. I'm going to  
14 defer to any of the Board members who feel this is an  
15 equity inequity.

16 Anyone want further discussion?

17 I have no way of adjudicating it, but my



18 understanding is you still have a negotiation left. Is  
19 that correct?

20 MR. ELLIOTT: Mr. Landsburg, as you well know, I think  
21 you're looking at the loser in any negotiation we have  
22 with Bay Meadows. It's just he offered something, but  
23 there are caveats. He's not going to budge off of that.

24 We're negotiating for even. All we're  
25 negotiating for is just status quo. We have no room for  
26 growth. We're impacted -- bottom line, we're impacted  
27 when Bay Meadows overlaps our entire program on that  
28 Friday. We've basically been left alone for years, for  
0028

01 years. This year they're going at 3:15.  
02 Ferndale this year will get absolutely crushed  
03 with the San Mateo County Fair going with a 3:15 post with  
04 their (inaudible). We will get beat up on that Friday  
05 when they go with their 3:15 post on that Friday as well.

06 MR. HARRIS: I thought Ferndale overlapped San Mateo.

07 MR. ELLIOTT: They're going with the 3:15 post during  
08 the San Mateo County Fair, and Ferndale will absolutely  
09 get crushed. You can count on that.

10 MR. LANDSBURG: I have to give you now the sense of  
11 the Board as to whether we should allow Bay Meadows to go  
12 all of the seven evening days in view of the comments and  
13 problem that it seems to intend for Sacramento.

14 I will entertain a motion concerning approval or  
15 nonapproval of Friday nights -- as amended, Friday nights,  
16 as have now been requested.

17 Is there anyone willing to make a motion?

18 MR. LICHT: I move that Bay Meadows be allowed to race  
19 at night as requested and during the day on those first  
20 three days.

21 MR. BIANCO: Seconded.

22 MR. LANDSBURG: The motion has been made and seconded.

23 Further discussion?

24 In which case I would ask for a vote on the  
25 motion proposed by Commissioner Licht.

26 All in favor?

27 MEMBERS: Aye.

28 MR. LANDSBURG: I'm going to abstain, having already  
0029

01 pleaded ignorance. So we have --  
02 Opposed?  
03 All right. So it's 5, to 1 abstention.

04 MR. WOOD: 5 to 1?

05 MR. LANDSBURG: Approved, as requested by Bay Meadows.

06 And we hope that there will be a better  
07 negotiation for you, at least a goodwill negotiation, to  
08 give them a bit more.

09 MR. HARRIS: I think it would be good if -- you know,  
10 my concern really is -- I'm not really that concerned  
11 about the Friday evenings as much as it's just a  
12 concentration of racing in October.

13 If maybe in September -- if at our October  
14 meeting we could get a report from Bay Meadows on how they  
15 did on field sizes of those weeks and just day by day and  
16 how -- what the outcome really was of some of the

17 experiments --  
18 MS. THURMAN: Absolutely.  
19 MR. LANDSBURG: So we now approve two parts.  
20 I'm now willing to entertain a motion to approve  
21 the application as written and with the caveat that the  
22 request for a fire plan will be supplied at some point  
23 before the meeting opens.  
24 You will have a fire agreement that will be  
25 required.  
26 Do we have a motion?  
27 MR. SPERRY: So moved.  
28 MR. LANDSBURG: So moved by Commissioner Sperry, and  
0030  
01 seconded --  
02 MS. GRANZELLA: Second.  
03 MR. LANDSBURG: All in favor?  
04 MEMBERS: Aye.  
05 MR. LANDSBURG: Opposed?  
06 The license -- Application for Bay Meadows, if I  
07 can go back to my agenda, for a License to Conduct a Horse  
08 Racing Meeting at the Bay Meadows -- of the Bay Meadows  
09 Operating Company at Bay Meadows, commencing  
10 August 30th through November 3rd, inclusive, is approved.  
11 And it's approved as amended, as amended.  
12 Item 3 on the agenda, discussion and action by  
13 the Board on the Application for License to Conduct a  
14 Horse Racing Meeting of the Los Angeles County Fair at  
15 Fairplex, commencing September 13th through  
16 September 29th of 2002, inclusive.  
17 MS. WAGNER: Jackie Wagner, CHRB staff.  
18 The Los Angeles County Fair has filed its  
19 application to conduct its race meeting at Pomona  
20 Fairplex. They're proposing to race September 13th  
21 through September the 29th, which is 17 days, the same as  
22 they raced in 2001.  
23 They are proposing to race 204 races, eight more  
24 races than they did last year. And they will be racing 17  
25 straight days, with 12 races per day.  
26 They will have a 12:30 post time daily. Their  
27 wagering program will use CHRB rules. And we have been  
28 informed that they have a signed horsemen's agreement.  
0031  
01 And staff would recommend to the Board approval  
02 of the application as presented.  
03 MR. LANDSBURG: Thank you.  
04 Is there discussion of this? I was looking for  
05 the horsemen's agreement. I saw it, but I don't know  
06 where it is.  
07 Do you have the horsemen's agreement?  
08 There was a letter, TOC letter, which I am  
09 missing in all my papers over here.  
10 MR. WOOD: Don, do you have it?  
11 MR. JOHNSON: Don Johnson, Thoroughbred Owners of  
12 California.  
13 We do have a signed purse agreement covering all  
14 of this.  
15 MR. LANDSBURG: I know that there was a signed

16 agreement. I saw a copy of it.

17 One of the caveats in that, which is what I was  
18 looking for, had to do with the ADW -- was it in another  
19 batch, or am I missing the copy of the TOC agreement? --  
20 which indicated that TVG, I gather, would be attempting to  
21 take out the -- ah, there is the letter. I knew I had  
22 seen it.

23 Don, let me refer to the fourth paragraph of the  
24 letter that I have saying that "Prior to the commencement  
25 of the 2002 Fairplex race meet, ODSST shall utilize  
26 commercially reasonable efforts to effectuate the  
27 elimination of the Oregon fee as a deduction from the  
28 market fee so long as such efforts do not materially and  
0032 adversely affect ODSST's business," which I find one of the  
02 most peculiar pieces of wording I've ever read.

03 I mean, can I take it out or leave it in, Don?

04 MR. JOHNSON: Pardon me?

05 MR. LANDSBURG: Do I take it out or leave it in?

06 MR. JOHNSON: I'd rather defer to Mr. Wilson Shirley,  
07 my assistant.

08 MR. LANDSBURG: I think, since you're the monitor, you  
09 should know some of the feelings that are going to go down  
10 in here. And this has always been one of the hairpins in  
11 all of our agreements with ODSST, since they are charging  
12 the horsemen for something they have to get.

13 MR. JOHNSON: Mr. Shirley, may I have a comment on  
14 that?

15 MR. SHIRLEY: (Inaudible)

16 MR. LANDSBURG: I'm sorry. We can't hear you. Please  
17 get closer.

18 MR. SHIRLEY: Wilson Shirley for Thoroughbred Owners  
19 of California.

20 We're advised that the .25 percent Oregon hub fee  
21 for both TVG and YouBet has been waived for California  
22 bettors by the Oregon Racing Commission. So that quarter  
23 of a percent will revert to a market access fee for  
24 California hosts.

25 MR. LANDSBURG: I just didn't understand why this  
26 caveat was in the letter. That was all.

27 MR. SHIRLEY: Mr. Van de Kamp was urging TVG and  
28 YouBet to take steps before the Oregon Racing Commission  
0033

01 to have the Oregon hub tax reduced for bets placed by  
02 California residents through the hub. And TVG and YouBet  
03 were successful in attaining that, effective the first day  
04 of the Del Mar meet.

05 MR. HARRIS: I had one question on --

06 Alan, did you want to finish up on anything else?

07 MR. LANDSBURG: No, no.

08 MR. HARRIS: This doesn't really apply to Fairplex any  
09 more than anyone else, but it seems like a lot of these  
10 insurance certificates show, on workers' comp, a total  
11 employers' liability limit of a million dollars per  
12 occurrence.

13 I thought workers' comp was basically unlimited  
14 as far as potential liability, and I didn't really quite

15 understand what the purpose of the million dollars was.  
16 MR. LANDSBURG: Is this Bay Meadows? Is there --  
17 MS. WAGNER: -- a representative from Fairplex?  
18 MR. LANDSBURG: Fairplex.  
19 MR. HENWOOD: Good morning, Mr. Commissioner (sic) and  
20 Commissioners. Jim Henwood, Los Angeles County Fair. And  
21 I am here with Mike Ziegler, our Chief Financial Officer.  
22 The question about insurance as it relates to the  
23 application limits -- this is just part of our standard  
24 practices that we have done historically with the  
25 million-dollar limit. We don't know of any other advice  
26 coming back from CHRB asking us to perhaps alter the  
27 practices of workers' compensation insurance.  
28 MR. HARRIS: Well, I guess this is your policy,

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01 really, on your employees; but I was under the impression  
02 that workers' comp liability is effectively unlimited if  
03 you had, you know, multiple accidents or something; that  
04 there is not really a limit on workers' comp; it's  
05 whatever it is. According to the policy here, it looks  
06 like you're showing a million-dollar limit; but I don't  
07 think that's the way it works.  
08 MR. HENWOOD: As it relates to a per occurrence on  
09 workers' comp, as far as limitations are concerned, you're  
10 probably correct.  
11 MR. HARRIS: I notice all these applications are  
12 coming in that way.  
13 MR. HENWOOD: Right.  
14 MR. HARRIS: It's not really your individual problem,  
15 but it's something we need to --  
16 MR. HENWOOD: Take a look at.  
17 MR. HARRIS: -- take a look at.  
18 MR. LANDSBURG: Is there any other discussion?  
19 Further questions?  
20 I'll entertain a motion to approve the  
21 Application for License to Conduct a Horse Racing Meeting  
22 at the Los Angeles County Fair at Fairplex, commencing  
23 September 13th through September 29th, 2002, inclusive.  
24 MR. SPERRY: So moved.  
25 MR. LANDSBURG: Moved by Commissioner Sperry.  
26 MR. BIANCO: Second.  
27 MR. LANDSBURG: Second by Commissioner Bianco.  
28 All in favor?

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01 MEMBERS: Aye.  
02 MR. LANDSBURG: Opposed?  
03 It's unanimous. The approval has been granted on  
04 the application to conduct the horse racing.  
05 MR. HENWOOD: Thank you. We look forward to seeing  
06 you at the next meeting at the LA County Fair.  
07 MR. LANDSBURG: We'll have to discuss that.  
08 We have approved the Application for License to  
09 Conduct a Horse Racing Meeting of the Los Angeles County  
10 Fair September 13th through September 29th, inclusive.  
11 The next item on the agenda is the Application  
12 for License to Conduct a Horse Racing Meeting of Capitol  
13 Racing in Sacramento, commencing September 27th through

14 February 23rd, 2003, inclusive.

15 MS. WAGNER: Capitol Racing has filed its application  
16 to race from September the 27th through February the 23rd.  
17 The association is proposing to race 87 nights, with 1,110  
18 races, or 12.7 races per night.

19 There will be racing three nights per week,  
20 Thursday through Saturday, through October the 12th; four  
21 nights per week, Wednesday through Saturday, through  
22 December the 21st; and five nights per week, Wednesday  
23 through Sunday, through February the 23rd.

24 There will be up to 15 races per night for the  
25 three-night race weeks; 10 to 13 races Wednesdays,  
26 Thursdays, and Sundays; and 12 through 15 races on Friday  
27 and Saturday. They will have 12 simulcast races on nights  
28 that they do not overlap with the quarter horse and six

0036

01 races on the overlap nights.

02 We are just missing the fire clearance from this  
03 application, and staff would recommend that the Board  
04 approve the application conditioned upon us receiving it.

05 MR. LANDSBURG: Discussion on the application?

06 MR. LICHT: Just a general discussion that applies to  
07 all the licensees that we discussed before.

08 Again, with Hollywood Park's assistance, we met  
09 with Racing and Gaming Services regarding protection of  
10 the California residents' wagers. And we plan on doing  
11 that -- "we" being the Pari-Mutuel Committee -- meeting  
12 with Holiday Beach Casino, Racing Services, Inc., and  
13 Coeur d'Alene, at least those three in the future -- near  
14 future, and to determine whether, in fact, these people  
15 are honoring their obligations under California law.

16 And, again, Hollywood Park is going to help us as  
17 the leader in putting those together.

18 MR. LANDSBURG: Any further comments?

19 I entertain a motion to approve the license  
20 application of Cal Expo.

21 MS. GRANZELLA: So moved.

22 MR. LANDSBURG: Moved by Commissioner Granzella.

23 MR. BIANCO: Second.

24 MR. LANDSBURG: Seconded by Commissioner Bianco.

25 All in favor?

26 MEMBERS: Aye.

27 MR. LANDSBURG: All opposed?

28

We will approve the Application for License to

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01 Conduct a Horse Racing Meeting of Capitol Racing, LLC, at  
02 Sacramento, commencing September 27th, 2002, to  
03 February 23rd, 2003.

04 Moving on, discussion and action by the Board on  
05 the approval of the annual distribution of a portion of  
06 the unclaimed refund monies, adjusted for inflation, to  
07 the Jockeys' Guild Health and Welfare Trust, pursuant to  
08 Business and Professions Code Section 19612.9.

09 Mr. Reagan?

10 MR. REAGAN: Good morning, Commissioners. John  
11 Reagan, R-e-a-g-a-n, CHRB staff.

12 As indicated, this is the annual distribution for

13 the Jockeys' Health and Welfare. In the past we have used  
14 the CalPERS benchmark for increases for this allocation.  
15 This year CalPERS is talking a whopping 25.1 percent  
16 increase. As we all know, health care costs are on the  
17 increase again. That would be our standard approach.

18 The jockeys have also experienced that increase,  
19 and more. They're asking for a 30 percent increase. The  
20 30 percent increase would make the allocation for this  
21 year 884,235. The benchmark 25.1 percent would be more in  
22 the area of about 850,000. There are enough refunds to  
23 cover that allocation.

24 And I believe there are folks from the Jockeys'  
25 Guild here today which will speak to this item and the  
26 exact amount of the allocation.

27 MR. HARRIS: Just a point of clarification. Where  
28 does the money go out of these uncashed tickets besides  
0038

01 this? Is there some residual that goes someplace else?

02 MR. REAGAN: Yes. Any of the refunds that are not  
03 used for this purpose, after being held by the association  
04 for three years, escheat to the State of California as  
05 unclaimed personal property.

06 The refunds actually are removed from the pools  
07 before we go ahead and calculate all -- you know, in the  
08 sense that the refund is a direct return of your money  
09 and -- your own personal money.

10 MR. HARRIS: Is this a different category than an  
11 unclaimed voucher?

12 MR. REAGAN: Yes.

13 MR. HARRIS: I mean, if someone has a voucher they're  
14 carrying around, is it a different type of fund? These  
15 are just actual cashable tickets for cash?

16 MR. REAGAN: These are actually tickets that are  
17 removed from the pool, and you are entitled to a refund of  
18 the wager. Because of a scratch or other situation, you  
19 simply are no longer in the pari-mutuel pool; and you can  
20 get a refund on your ticket; which is like, say, different  
21 from a voucher, which is simply a cash item, a piece of  
22 scrip that you can use to bet, or an actual winning  
23 ticket, which is another category, and so on and so forth.

24 MR. HARRIS: How much a year has gone into this fund?

25 MR. REAGAN: Well, right now we generate -- we  
26 generated this year just a little over a million dollars  
27 in unclaimed refunds. That's separated among the various  
28 tracks that have been doing business. And like, say, they  
0039

01 would hold those for three -- unless we use them for this  
02 purpose, they would hold those for three years and then  
03 escheat to the State of California.

04 MR. HARRIS: It seems like a lot, just -- (inaudible).

05 (Laughter)

06 MR. HARRIS: Just kidding.

07 MR. LANDSBURG: It speaks, I think, of the  
08 sophistication of our bettors. They are walking around  
09 losing a million dollars worth of refunds once a scratch  
10 is made, but I guess we've all dug into our pockets and  
11 come up with a ticket.

12 MR. HARRIS: That's a good way to do it, actually;  
13 but --  
14 MR. BIANCO: John, weren't we worried this year, with  
15 the ADW, that this actual funding might, you know, go  
16 down?  
17 MR. REAGAN: Yes, absolutely. With account wagering,  
18 refunds do not exist. There are no uncashed winning  
19 tickets. Everything is immediately credited and debited  
20 to the accounts and kept right up to date. So at this  
21 point the refunds for this year are actually up a little  
22 bit.  
23 We'll certainly keep an eye on that in the  
24 future, because -- it's like unclaimed winning tickets.  
25 You know, you can kind of see what the maximums have been;  
26 you can see what -- the minimums; but you can never really  
27 predict the exact amount, kind of like a temperature in a  
28 temperature range. Each year you have various ranges, and  
0040  
01 you really can never really say for sure. But right now  
02 there seems to be enough to cover this, yes.  
03 MR. BIANCO: Thank you.  
04 MR. LANDSBURG: Further comment?  
05 MR. MC CARRON: Chris McCarron, representative of the  
06 Jockeys' Guild.  
07 I was just going to make the same comment that  
08 Commissioner Bianco just made that with the increased use  
09 of technology we have at our fingertips today, the dollars  
10 would probably be reduced in future years, I would think.  
11 And especially if the awareness of -- if the awareness  
12 ever got to the public there is a lot of money out there  
13 floating around that they should be capitalizing on, that  
14 would probably also contribute to the diminishing of the  
15 dollars that we receive.  
16 MR. REAGAN: Well, you know, in that very same vein,  
17 it is surprising that -- I know several years ago -- it's  
18 very surprising to me that sometimes we have, in a given  
19 year, \$5 million in unclaimed winning tickets. We did  
20 some research, and there certainly are a lot of little  
21 tickets that add up.  
22 In talking to some of the wagerers, it's just  
23 interesting that somebody might have multiple wagers on  
24 one ticket; and yet they're only talking about the one  
25 wager they really want to win or the big wager they've  
26 made.  
27 Sometimes those don't come in, and they simply  
28 toss the ticket without really remembering that they also  
0041  
01 made some backup bets on the same ticket. And we  
02 certainly watch that.  
03 But, once again, it is surprising. But as a  
04 percentage of the total handle, of course, you know, it's  
05 tenths of a percent of the entire handle.  
06 MR. LANDSBURG: As a parallel to that, it's just  
07 something we may -- I don't know how we can even fix. But  
08 there are people who come up to the pari-mutuel machines  
09 and start running every ticket they found on the grounds  
10 through it, looking for a pony under the straw, I guess.

11 MR. LICHT: Technologically advanced.  
12 MR. REAGAN: I do need to make one additional comment.  
13 In a conversation I had yesterday with the TOC,  
14 who is a partner in this distribution and this welfare  
15 fund, setting it up and maintaining it with the Jockeys'  
16 Guild, in their agreement, which is included in this item,  
17 the TOC indicated that they would prefer that we hang this  
18 year's amount of the increase on the 25.1 percent  
19 benchmark that we have used over the last several years.  
20 Mr. Van de Kamp wasn't able to be here today, but  
21 he asked me to indicate to you that that was his  
22 preference as part of this item today.  
23 MR. MC CARRON: And I would certainly ask that you  
24 strongly consider the 30 percent figure that we are  
25 requesting. Every single dollar that we receive goes  
26 towards the health and welfare benefits that they're  
27 intended for, with a small exception of some of the  
28 administrative costs that are involved.

0042

01 The audit reports show that we actually could use  
02 more dollars than we're getting, but we are extremely  
03 grateful for the dollars that we do receive from this  
04 program.

05 MR. HARRIS: Could you just as a point of  
06 clarification explain how a jockey establishes eligibility  
07 to participate in this?

08 MR. MC CARRON: In order to fit the definition of a  
09 California jockey and participate in the plan, you must  
10 ride at least 100 mounts in the calendar year, 50 of which  
11 have to be in the State of California.

12 MR. LANDSBURG: Is there a police mechanism in effect  
13 so that -- we are all concerned -- I'm not particularly  
14 pointing the finger at jockeys.

15 In the entire workmen's compensation furor that  
16 we have now, one of the things we're concerned about is  
17 false claims. Do you have a policing policy to be sure  
18 that the claims that are made on that fund are, in fact,  
19 legitimate?

20 MR. MC CARRON: Yes, absolutely. It's just like any  
21 health insurance policy. If there is a medical situation  
22 in a family, or a single rider, you go to a doctor visit;  
23 the doctor bill gets sent to the Jockeys' Guild; and it  
24 goes through the natural process of being -- the claim  
25 being administered. And that's it.

26 MR. LANDSBURG: I would simply suggest that we all be  
27 aware of the fact that there is a 15 to 20 percent lag in  
28 the way that most workmen's comp is paid because of people

0043

01 who are fraudulently using it. But it can be a doctor; it  
02 can be a patient; it can be a service.

03 But I'd just ask you to reexamine, on a test-case  
04 basis, some of the payments that are made just to be sure  
05 that you do have a mechanism in effect that would take  
06 care of it, that kind of thing.

07 MR. HARRIS: I think it's important to keep in mind  
08 that this is different than workers' comp; where the  
09 jockey may be covered by workers' comp, although there may



10 be some overlap where things should be paid by workers'  
11 comp and are being paid by this (inaudible).  
12 MR. LANDSBURG: I'm just pointing a finger. We're  
13 authorizing money. I'd like to be sure that that money is  
14 used for what it's proposed to be used for. And I think  
15 it behooves you to make sure that you check back and say  
16 "Yes, most of our claims are absolutely legitimate."  
17 That's all (inaudible).  
18 MR. MC CARRON: We'll do that.  
19 MR. LANDSBURG: Thank you.  
20 We have -- as part of this proceeding, the  
21 increased allocation, I think, needs to be approved before  
22 we can approve the entire plan, since they've asked for  
23 approval of the 30 percent fee rather than the 25.1.  
24 MR. WOOD: Actually, what you're actually doing is  
25 approving the allocation that's submitted. The plan or  
26 the program that was set up was previously approved by the  
27 Board. So what they're requesting for you is to approve  
28 the allocation of 30 percent (inaudible).  
0044  
01 MR. LANDSBURG: Well, that's what I'm saying. It asks  
02 here that the Board approve the amount of -- the  
03 30 percent amount, which I'm now bringing to the Board for  
04 approval.  
05 Is there anyone -- is there further discussion of  
06 this approval?  
07 Is there a motion to approve or disapprove the  
08 30 percent allocation?  
09 MR. LICHT: I move that we approve the 30 percent  
10 allocation to the jockeys.  
11 MR. BIANCO: Second.  
12 MR. LANDSBURG: It's been moved and seconded.  
13 Any discussion further?  
14 All in favor?  
15 MEMBERS: Aye.  
16 MR. LANDSBURG: Opposed?  
17 It's carried unanimously. The Board approves the  
18 30 percent allocation.  
19 MR. REAGAN: Thank you very much.  
20 MR. LANDSBURG: And, concurrently, we have to approve  
21 the -- I guess we do need a second approval since that was  
22 a part and parcel.  
23 So I recommend that we have an approval of the  
24 annual distribution of the portion of unclaimed refund  
25 monies, adjusted for inflation, to the Jockeys' Guild  
26 Health and Welfare Trust as amended.  
27 Do we have a motion to approve?  
28 MS. GRANZELLA: So moved.  
0045  
01 MR. LANDSBURG: So moved.  
02 MR. WOOD: Second.  
03 MR. LANDSBURG: All in favor?  
04 MEMBERS: Aye.  
05 MR. LANDSBURG: The motion is passed.  
06 MR. MC CARRON: Thank you very much.  
07 MR. LANDSBURG: We had two different points in here.  
08 Robert's Rules is not my strength.

09 Discussion and action by the Board on the request  
10 of the Pacific Racing Association to distribute charity  
11 racing day proceeds in the amount of \$68,300 to 17  
12 beneficiaries.

13 MR. HARRIS: What about Oak Tree?

14 MR. LANDSBURG: I'm sorry. I went right by Oak Tree.  
15 Forgive me.

16 Amending my agenda item, discussion and action by  
17 the Board on the request of the Oak Tree Charitable  
18 Foundation to distribute charity racing day proceeds in  
19 the amount of \$97,000 to 47 beneficiaries.

20 MR. REAGAN: Commissioners, as indicated in the staff  
21 analysis, approximately 53 percent of the total dollars  
22 will go to racing-related charities. Staff recommends  
23 approval of this request.

24 MR. LANDSBURG: Is there a discussion of this item?  
25 There is no discussion or questions.

26 MR. SPERRY: So moved, Mr. Chairman.

27 MR. LANDSBURG: We have a motion to approve.

28 MR. BIANCO: Second.

0046

01 MR. LANDSBURG: And seconded by Commissioner Bianco.  
02 Therefore, the request of the Oak Tree Charitable  
03 Foundation to distribute charity racing day proceeds in  
04 the amount of \$97,000 to 47 beneficiaries...

05 Discussion and action by the Board on the request  
06 of the Pacific Racing Association now to distribute  
07 charity racing day proceeds in the amount of \$68,300 to 17  
08 beneficiaries --

09 MR. REAGAN: Once again, Commissioners, approximately  
10 68 percent of these dollars are going to charities  
11 associated with the horse racing industry. We recommend  
12 approval.

13 MR. LANDSBURG: Is there any discussion of this item?  
14 If there is no discussion, may I have a motion to  
15 approve or disapprove?

16 MS. GRANZELLA: So moved.

17 MR. LANDSBURG: It's moved to approve --

18 MR. SPERRY: Seconded.

19 MR. LANDSBURG: -- by Commissioner Granzella, seconded  
20 by Commissioner Sperry.

21 All in favor?

22 MEMBERS: Aye.

23 MR. LANDSBURG: Opposed?

24 It's unanimously carried. The request is  
25 approved of the Pacific Racing Association to distribute  
26 charity racing day proceeds in the amount of \$68,300 to 17  
27 beneficiaries.

28 As a Board comment -- as a Chairman's comment, I

0047

01 always feel more comfortable when most of this charitable  
02 work goes to racing-aligned charities.

03 Staff report on the following concluded race  
04 meetings:

05 One, Los Angeles Turf Club at Santa Anita from  
06 December 26, 2001, through April 21st, 2002.

07 B, we'll also hear of the San Joaquin Fair at

08 Stockton from June 12th through June 23rd, 2002.

09 MR. REAGAN: Commissioners, first of all, the  
10 Los Angeles Turf Club had a good meet this year. We were  
11 certainly watching the impact of ADW. If any, we did not  
12 see a lot there. Overall, they had an excellent meet.  
13 And I'm sure they'll do a good next year.

14 The first fair of the season, San Joaquin Fair,  
15 was down a few percent in total handle on track and off.  
16 I don't know that we can attribute any particular cause or  
17 concern about cannibalization from ADW, but we will  
18 certainly continue to watch and monitor that.

19 Since this item was issued as a package, we have  
20 monitored the other fairs in Northern California. They  
21 have also been down a few to several percent in various  
22 areas. And at this point I don't believe that ADW has a  
23 direct impact, but there probably is some impact in there,  
24 as well as the economic situation, the overall economy,  
25 and other concerns people have about the stock markets and  
26 other such things, as well as it was a pretty good heat  
27 wave in Northern California.

28 So we're monitoring this. And it's difficult to  
0048 say if a particular item has a certain impact, but we are  
01 watching carefully.

02 MR. LICHT: I'd like to see -- and I've discussed it  
03 with a few people in the industry -- some kind of analysis  
04 on the impact of ADW on our on-track and off-track handle.  
05 And there's been some discussion about possibly having the  
06 industry get together and hire a statistician to review  
07 the data and come up with some kind of a somewhat  
08 objective analysis. And I think that that would be real  
09 helpful if we could get that done.

10 A suggestion was made of maybe the University of  
11 Arizona, that the industry might get together and fund the  
12 University of Arizona on some type of grant basis to take  
13 a look at the data because, myself -- I've looked at it.  
14 I can't come up with any kind of a theory. I've asked  
15 Mr. Reagan to look at it. He didn't have anything either.

16 MR. REAGAN: Certainly nothing conclusive.

17 MR. LANDSBURG: The 5.48 percent drop in daily  
18 attendance, is that accountable to the normal attrition of  
19 gray hairs turning away to another place?

20 I just worry about our audience dying off; that's  
21 all. That's my primary concern.

22 And that 5.48 figure -- while we're maintaining  
23 dollar averages, we're losing probably one of the most  
24 vital parts of it. I'd say we're moving closer and closer  
25 to being television studios, and I don't think that's  
26 where racing wants to be.

27 MR. ZIEGLER: Mr. Landsburg, Mike Ziegler from Santa  
0049

01 Anita. I can address -- the decline in on-track  
02 attendance was largely attributable to a change in our  
03 focus from the group sales department.

04 We, in the past, used to have a lot of people  
05 come in as pot-luckers, who had not spent a nickel  
06 betting. And we changed the policy and eliminated people

07 being allowed to bring in their own food and, therefore,  
08 saw a huge decline in that aspect of our business, which  
09 resulted in a 5.48 decline.

10 MR. LICHT: So you found they didn't bet or buy food;  
11 they just came and used your facilities?

12 MR. ZIEGLER: They brought their own food, and they  
13 didn't bet. So we changed the policy, and it hurt us on  
14 attendance. But as you see, the on-track handle didn't  
15 get hurt. We're thinking that we didn't really lose much.

16 MR. LANDSBURG: How does the 2.3 -- because I don't  
17 have comparable statistics -- the 2.3 percent on-track  
18 handle a race equate to the previous year when there was  
19 no ADW?

20 MR. ZIEGLER: We were pretty successful this meet with  
21 Pick 6 carryovers. And we're, frankly, gracious that  
22 we've had so many of them. And that probably contributed  
23 a huge amount to our on-track handle increase.

24 MR. LANDSBURG: Decrease?

25 MR. ZIEGLER: Increase.

26 MR. LANDSBURG: Well, it's only a 2.3 -- what I'm  
27 reading is 2.3 -- 2.03 on-track percentage change,  
28 positive.

0050

01 MR. ZIEGLER: That, at the same time with the decline  
02 in attendance, we're attributing to --

03 MR. LANDSBURG: -- to the same people?

04 MR. ZIEGLER: No. The fact that we had all the Pick 6  
05 carryovers helped us a lot.

06 MR. LANDSBURG: Oh.

07 MR. HARRIS: The off-track is off track at  
08 California -- Southern California satellites. So that's a  
09 pretty -- almost a 5 percent increase there, which is  
10 good. But you'd think that would maybe have been  
11 cannibalized more by the ADW (inaudible).

12 MR. KORBY: Mr. Chairman, thank you.

13 Chris Korby, California Authority of Racing  
14 Fairs. I just wanted to mention another factor that may  
15 have contributed to the San Joaquin statistics.

16 As you know, the first week of the San Joaquin  
17 Fair is overlapped by Bay Meadows, which makes filling  
18 races a challenge. Excuse me. And it makes their handle  
19 the second week even more important. They usually go into  
20 the second week with a substantial overpayment of purses,  
21 for example. And that second weekend is critically  
22 important.

23 This year, on that second Saturday, we had a  
24 really difficult time filling races. And I think that  
25 contributed to the overall meet statistics that came out  
26 at the end.

27 Going into the Friday -- their second Friday,  
28 just before that last weekend, they were actually up. So

0051

01 the difficulty with filling races, putting together a  
02 competitive card, a full field, was a contributing factor.  
03 I just wanted to note that for you.

04 MR. LANDSBURG: Well, you have the dates meeting  
05 tomorrow. I'm sure that this will be part of your

06 discussion at the time.

07 MR. LICHT: Chris, any ideas about Pleasanton or  
08 Vallejo yet?

09 MR. KORBY: The numbers are just coming in.  
10 Pleasanton was down a bit; and, there again, there was  
11 some reduction in the number of runners for the whole  
12 meet. I haven't seen the final figures on that yet, but  
13 we'll be getting those in soon.

14 Thank you.

15 MR. LANDSBURG: Chris, just one more comment to you  
16 for holding to your guns and getting the only nonexclusive  
17 betting arrangement for ADW that exists in this state.  
18 Congratulations. And thanks to the fairs, we're at least  
19 breaking through the barrier.

20 MR. KORBY: Thanks. Actually, we're looking forward  
21 to seeing how the statistics on that prove out. Vallejo  
22 will be the first fair that has all three account wagering  
23 entities wagering on the same California meeting.

24 We were able to get those contracts in place  
25 during the Pleasanton meet, so we don't have one full meet  
26 to look at statistics from. I'm looking forward to seeing  
27 how they prove out at Vallejo.

28 MR. LICHT: It's also been well advertised at the  
0052 fair. I mean, I saw banners for several of the ADW  
01 carriers there and actually a booth for YouBet on the  
02 premises at Vallejo where they were signing people up  
03 right in a prime spot.

04 MR. KORBY: That's right. That's right. We'll make  
05 that available to any of them who wish to come out, with  
06 consent of the individual fair.

07 MR. HARRIS: It will be interesting to see that.  
08 And I also join Alan in congratulating you for  
09 getting all three and providing us a lot of data and  
10 seeing how people react (inaudible).

11 MR. KORBY: Thank you.

12 MR. LANDSBURG: Which leads us very naturally to our  
13 next item, which is the staff update on the Advance  
14 Deposit Wagering handle.

15 MR. REAGAN: Commissioners, through July 6th we were  
16 able to calculate that at that point 66.3 million had been  
17 handled in California through the ADW system, representing  
18 5.7 of the total California on-track, off-track, and ADW  
19 handle to that point.

20 Last month we had about 5.3 percent, so we're  
21 increasing now to 5.7. We continue to work with the hubs  
22 and CHRIMS to make sure the data is valid and can be  
23 verified. And we continue to work to extend the dates we  
24 have covered.

25 For instance, yesterday, at Del Mar, in the  
26 morning here, we had a meeting with CHRIMS controllers and  
27 the hubs. And we made a couple of decisions, I think,  
0053 that will speed up the process whereby within the short  
01 time we'll have the months of June and July verified; and  
02 we'll be able to rely on those numbers more comfortable --  
03 be more comfortable with those numbers at that time.

05           So at this point I think good progress is being  
06 made in terms of maintaining the database and auditing to  
07 make sure that those numbers are verifiable. And we've  
08 had good cooperation from the hubs and from CHRIMS.

09           So I'm very hopeful that within a couple of weeks  
10 to a month we'll be able to have this process down to  
11 pretty much like we do the regular handle now, where we'll  
12 have data reports and be able to distribute the monies  
13 weekly, and so on and so forth.

14       MR. LANDSBURG: Good. I'm glad to hear it.

15           I think we've been in session for a little over  
16 an hour and 15 minutes. I'd like to hold, just for a  
17 ten-minute break, the implementation of Advance Deposit  
18 Wagering and give everybody a break.

19       (Recess)

20       MR. WOOD: Ladies and gentlemen, the meeting will  
21 please come to order. Please find a seat.

22       MR. LANDSBURG: We are up to the report on the  
23 implementation of Advance Deposit Wagering from the three  
24 corporations who are currently engaged in this business.

25           We will start with XpressBet, Mr. Hannah,  
26 Mr. Luniewski.

27       MR. HANNAH: Ed Hannah, Vice President, General  
28 Counsel, for XpressBetting, as well as for its parent,  
0054

01 Magna Entertainment Corporation. With me is Ron  
02 Luniewski. Ron is President of XpressBetting.

03           I will update giving the usual form of update  
04 that we give, which is a number of statistics. I'll speak  
05 a little more slowly here because I noticed at previous  
06 meetings that some of the people jot them down as I speak.

07           Before I get into those statistics, I just wanted  
08 to seize upon the one comment that was made by  
09 Commissioner Licht.

10           We at XpressBet, as well as Magna Entertainment  
11 Corporation, are in full support of some type of an effort  
12 to attempt to determine the effect of account wagering.  
13 We believe account wagering is implemental to handle; but,  
14 you know, to date it's all impressionistic. I think we  
15 need to start an effort.

16           The database is not that large, but we have now  
17 had six months of advanceaccount wagering -- or advance  
18 account wagering in California; and we believe that hiring  
19 a statistician, possibly through the racing program at the  
20 University of Arizona, would be a good place to start. We  
21 can start defining variables that we want to build into  
22 some kind of objective analysis; and we're prepared to  
23 fund, hopefully along with other industry members, part of  
24 the cost of doing it.

25           Now, turning to the statistical update that we  
26 have, the first slide that we normally have presented has  
27 been a breakdown of the wagering on the XpressBet  
28 California hub by California resident and other residents.

0055  
01           Right now, to date, 90 percent of our wagering  
02 has come from California residents. 10 percent has come  
03 from out-of-California residents. The total number of

04 accounts that we have in our California hub -- and all of  
05 this information is as of July 23 -- is 11,058, or just  
06 over 11,000 accounts. Of those accounts, 9,437 are  
07 California residents. So that's 85.3 percent of our  
08 accounts are from California residents.

09 Total wagering through the California hub since  
10 its establishment in January is just over \$24 million.

11 One of the other slides that we traditionally  
12 presented has been how we have acquired the accounts or  
13 how the accounts have been opened. To date, 74 percent of  
14 our accounts have been opened through our call centers;  
15 and that basically means people are opening the accounts  
16 either through the Internet front end or through a  
17 telephone call.

18 16 percent were opened at our XpressBet centers  
19 at Santa Anita, and 5 percent were opened at each of  
20 Golden Gate and Bay Meadows.

21 One of the other statistics we've always updated  
22 on is the tracks that the handle has been bet on. To  
23 date, 47 percent of the handle is bet on the Santa Anita  
24 meet, on Santa Anita races. 9 percent has been bet on Bay  
25 Meadows races. 8 percent has been bet on Golden Gate  
26 Fields races, and 36 percent has been bet on races at  
27 other tracks.

28 The next slide that we traditionally updated on  
0056

01 is the handle by week. As you noted from the last  
02 meeting, basically our handle per week peaked at the time  
03 of the completion of the Santa Anita meet. With it ending  
04 and the Hollywood meet beginning, we lost our premiere  
05 California product that we did not have rights over.

06 Our weekly handle through the California hub has  
07 stabilized at between 300- and \$400,000 per week.

08 One thing I do want to point out, because I have  
09 seen press articles that seize upon that number, is, just  
10 to remind all, that the numbers I'm giving are just in  
11 respect to our California hub. We have our old Call-a-Bet  
12 operation, which is our Pittsburgh hub. The combined  
13 betting at this point in time through our two hubs is  
14 about \$2 million per week.

15 I'll now turn it over to Ron Luniewski, and Ron  
16 will provide a few operational updates.

17 MR. LUNIEWSKI: In the last meeting we discussed the  
18 significant product we were doing. In the next few weeks  
19 we'll have a web site that will be much more conducive to  
20 explain how the product works, how to use it, and explain  
21 what horse racing is to people. So we're really excited  
22 about that.

23 We've also installed a lot of changes in our  
24 back-end systems. We recently switched our vendors that  
25 we use for funding, so you're going to see a substantial  
26 upgrade in the timeliness in the avenues of deposit and  
27 withdrawal of monies into accounts. We have made a lot of  
28 progress there.

0057  
01 On the marketing front, we did a test market --  
02 and I don't have all the statistics yet, but we ran a

03 Beat-the-Pro contest at the Solano County Fair. We did it  
04 on Monday. We had three people come in, and we went in  
05 conjunction with the Daily Racing Form, where the Daily  
06 Racing Form -- we gave advertising, and they had these  
07 three celebrities, (inaudible) being one of them, sign the  
08 books. And it was an effort to drive traffic to the fair  
09 and then, of course, be able to promote XpressBet there.

10 From a topside perspective on the XpressBet  
11 account wagering side, if you compare Solano County Fair  
12 to Alameda, we were up about 70 percent, you know, if  
13 those are equal fairs. So we thought that was a lot of  
14 value added to the fair. But we're still trying to  
15 rationalize that data, and we're now planning on doing  
16 these type of promotions in the future.

17 MR. HANNAH: Okay. The final update that I will give  
18 will be the television update.

19 As we have mentioned before, we had plans to  
20 launch Horse Racing TV. It has been launched as of late  
21 Friday of last week. Our produced television channel out  
22 of our production center at Santa Anita started. That's  
23 the good news. The bad news is at this point in time we  
24 only have distribution for that channel through the RTN  
25 network, which is the private satellite service; so it  
26 doesn't have a broad distribution.

27 Comments that we have received to date have been  
28 quite positive on the quality of the production that Amy  
0058 Zimmerman and her crew are doing.

01 We do a live broadcast on HRTV seven days a week  
02 from approximately -- these are Pacific times -- 9:30 a.m.  
03 until 11:30 p.m. We're scheduled to show up to four live  
04 tracks at a time at each hour, which is six to eight races  
05 per hour. It includes post parades, odds, results, and  
06 full screen coverage of the live race.

07 The races that we are featuring on our channel  
08 are those obviously conducted at NBC racetracks, as well  
09 as those that have made their content available at our  
10 Advanced Bets Service. Our graphics have been designed to  
11 overlay the incoming simulcast feeds and to create a  
12 unified look and feel for HRTV.

13 We also have various racing vignettes that have  
14 been produced by Amy and her team that appear during the  
15 programming, once again time permitting, while the racing  
16 is going on. We're primarily focused on showing the live  
17 races, as well as the post parades and other things that  
18 surround the live racing; and we're also integrating into  
19 the channel the promotion of the XpressBet service through  
20 billboards and 30-second spots.

21 As far as a carriage update, we continue to have  
22 discussions with national cable and satellite carriers.  
23 As I've mentioned before, it's a long, drawn-out process.  
24 The process has become even more long -- or longer and  
25 even more drawn out as a result of a lot that's been  
26 happening within the media industry.

27 There's a merger going on between AT&T and  
0059 Comcast which is still subject to regulatory approval.  
01



02 So, basically, both of those organizations are in a  
03 standstill as far as creating new programming.

04 We've had the insolvency -- or the filing for  
05 Chapter 11 of Adelphia; and we've just had a lot of  
06 general bad news concerning the media and the media stock,  
07 at least the media distribution and the media distribution  
08 stocks. We're still quite encouraged by several of our  
09 discussions, and we're hoping by the end of the year that  
10 we'll have some announcements in that regard.

11 Vis-a-vis California, we are continuing to have  
12 discussions with KDOC, as well as certain distributors in  
13 Northern California, about getting at least the old Santa  
14 Anita Alive program, with distribution in Southern  
15 California and Northern California and possibly even  
16 longer segments of HRTV.

17 So that concludes our formal presentation, with  
18 an update on both XpressBet as well as HRTV. I'll now  
19 throw it open to any questions.

20 MR. HARRIS: I had a couple questions.

21 On your television network, your RTN, would it be  
22 possible to do that over the Internet, also, just on some  
23 web site someplace, so people -- if they didn't want to  
24 subscribe to the show, they could do it through the  
25 Internet?

26 MR. HANNAH: Just to remind everyone, RTN is an entity  
27 in which we only own one-third. One-third is owned by  
28 Philadelphia Park; and one-third is owned by Todd Roberts

0060  
01 Communications. For us to be able to do that, we would  
02 need the approval of our two partners. We have not  
03 presented that to them.

04 MR. HARRIS: It wouldn't be quite as good as having it  
05 on TV, but it would be a lot cheaper. Isn't there like  
06 about a \$100 a month charge on the RTN?

07 MR. HANNAH: Yeah. RTN, I think, is 99.99 a month; so  
08 you do save a penny off \$100.

09 MR. HARRIS: Good deal. Is there sales tax on it?

10 MR. HANNAH: Just trying to add some levity.

11 MR. HARRIS: One of the big issues in the ADW deal is  
12 credit cards. Do you have any banks that are refusing to  
13 take credit cards on deposits?

14 MR. HANNAH: There has been the recent press  
15 concerning, I guess, what Eliot Spitzer did in New York  
16 with Citibank. I don't know if we realized any impact.

17 MR. LUNIEWSKI: At the latest, we haven't realized any  
18 impact. But there are certain banks that will go in and  
19 attempt to stop an Internet gaming transaction. And that  
20 is usually an education process with that bank, and they  
21 turn it back on. Recently we have not experienced that in  
22 a major way, but it's an ongoing process.

23 MR. HANNAH: There is also the one bill that's before  
24 the federal government that would make it illegal for  
25 credit cards to be used for illegal gambling purposes.  
26 We've been working with the American Horse Council and its  
27 lobbyists to insure the illegal gambling operations do not  
28 include legal gambling operations such as account wagering

0061

01 and Advance Deposit Wagering.

02 MR. HARRIS: Yes. I think it is important that that  
03 bill be reviewed, which it appears it can be. But on the  
04 Citibank issue, I never really have found -- is there --  
05 are they or are they not? Or just no one at XpressBet is  
06 using Citibank cards? But are they turning down deposits?

07 MR. LUNIEWSKI: To my knowledge, Citibank is not  
08 turning down deposits for us.

09 MR. HARRIS: They just talked about it, but didn't do  
10 it?

11 MR. HANNAH: Yes. I only know what I know in the  
12 press. I thought it was announced in the press that they  
13 had entered into an agreement with Eliot Spitzer in  
14 New York not to do so, but we have not felt any impact  
15 within our organization.

16 MR. HARRIS: One of the issues that I think might help  
17 the competitors of XpressBet is that you charge, I  
18 understand, a 3 percent fee on deposits through credit  
19 cards; and I think YouBet and TVG do not. Do you feel  
20 that that puts you at a less competitive advantage, or do  
21 you feel that's just a cost that you need?

22 MR. LUNIEWSKI: Commissioner Harris, I kind of glossed  
23 over this. But as I mentioned, we recently have updated  
24 our funding providers; so we're able to get the cost at a  
25 cheaper service. And we're currently looking at what we  
26 can do with that 3 percent.

27 Frankly, I'm considering dropping it at this  
28 point.

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01 MR. HARRIS: To me, it seems, as a consumer, that if  
02 you've got -- the competition is at zero and you're at 3,  
03 it doesn't take an economic genius to know where you're  
04 going to go.

05 MR. LUNIEWSKI: I agree 100 percent.

06 MR. LANDSBURG: Even I understood that.

07 MR. HANNAH: The one thing I wanted to point out  
08 though is the 3 percent is purely a cost flow-through.  
09 There is no markup or profit to the organization.

10 MR. HARRIS: I also, through my research, discovered  
11 that some banks will charge another surcharge on deposits  
12 into these, what they -- whatever category that they  
13 consider these; but some banks don't.

14 So using a Visa card -- even a B of A Visa will  
15 do it. Some other types of Visa cards don't. So it's  
16 something that's kind of a problem with consumers, to be  
17 able to understand that all of a sudden on their charge  
18 card they've got a surcharge on something they thought was  
19 a deposit.

20 MR. HANNAH: The main issue, just to make you aware of  
21 it, on the 3 percent, is the fact that when the credit  
22 card advance is being made, there is no signed credit card  
23 chit that's being produced; which the experience of the  
24 credit card industry has been the opportunities for fraud  
25 or improper credit advance are much greater in that  
26 instance.

27 So that's why the 3 percent that we're paying,  
28 basically, because we have a contract with an entity

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01 that's prepared to assume that risk. And what they charge  
02 us to assume the risk is the 3 percent.

03 It's just a little bit different than, you know,  
04 going into a commercial business and using your credit  
05 card to make a purchase, where you're actually signing in  
06 person, because statistics show that that's a lot less  
07 risky from a security perspective and a fraud perspective  
08 for the credit card companies.

09 MR. HARRIS: But the competition has the same -- your  
10 problem is not different than your competition's problem.  
11 It seems like you've got a lot of background on a consumer  
12 in order to set up an account; you've got a lot of  
13 information on him, which doesn't seem would be fraudulent  
14 (inaudible) and somebody just supporting something over  
15 the phone.

16 MR. LUNIEWSKI: Yeah. To that point, Mr. Harris, we  
17 are in the process of switching vendors. That will give  
18 us better economics on our side that we would plan to pass  
19 on to the consumer.

20 The other thing is one of the real ways to  
21 mitigate all of the credit card problems and having us as  
22 an industry caught up in the offshore gaming is to move  
23 towards either electronic checks, where we can take, you  
24 know, ATM transactions into wagering accounts -- and  
25 you'll see us start to move in that direction, too. And  
26 that is basically the quickest, best, and cheapest way for  
27 everybody involved.

28 MR. HANNAH: The only thing I wanted to mention from

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01 your earlier comment opposing the current bill -- the  
02 federal bill being opposed by the industry, is the  
03 Goodlatte Bill. The bill that I was referring to earlier  
04 is the Oxley Bill. The Oxley Bill, at this point in time,  
05 through the American Horse Council, the industry is  
06 supporting because the language of it is targeted only  
07 towards credit cards not being used for illegal gambling.  
08 And the language right now would permit legal Advance  
09 Deposit Wagering to be processed through credit cards.

10 MR. HARRIS: The Oxley Bill is more of a credit card  
11 bill?

12 MR. HANNAH: Yes. It's totally focused on credit  
13 cards.

14 MR. HARRIS: Lots more on Internet gambling.

15 MR. HANNAH: Internet gambling.

16 MR. LANDSBURG: In your Santa Anita signal, do you  
17 show the races that are available for betting on  
18 XpressBet? Or on your signal do you show -- do you have a  
19 concurrent signal going out on the Internet of your races?

20 MR. HANNAH: Yes.

21 MR. LUNIEWSKI: Yes. Every racetrack that we offer on  
22 audio, we put three streams of audio/video up.

23 MR. LANDSBURG: And, also, we haven't touched base on  
24 it for a long time; but one of the regulations of ADW is  
25 that interest gathered -- that you gather on accounts that  
26 you are holding go to charity. And I haven't seen a  
27 report on that in a long time, if any.

28 MR. HANNAH: That was raised at the last meeting, and  
0065  
01 we provided the information to John Reagan.  
02 MR. LANDSBURG: If it is there, I'll be able to tap  
03 into it. You don't need to go into it. John, I think,  
04 can provide it on a regular basis.  
05 MR. LICHT: I talked to Cliff Goodrich. I don't know  
06 if he left, but I talked to him on a break; and he said  
07 he's going to promise the distributions of that are going  
08 to be coming regularly shortly.  
09 MR. LANDSBURG: Okay. Any other questions or comments  
10 for XpressBet?  
11 MR. HANNAH: Thank you.  
12 MR. LANDSBURG: We thank you.  
13 TVG is up next. We'll go to the wonderful Tony  
14 Allevato.  
15 MR. ALLEVATO: "Wonderful" might be a little strong.  
16 Good morning, everybody. Tony Allevato, Vice  
17 President, Executive Producer for TVG. I'm just going to  
18 run through a few issues here.  
19 First, talking about wagering handle, since the  
20 inception, to date, the total handle by California  
21 residents has been \$33.8 million. And currently  
22 Californians wager 60 percent on California races and  
23 40 percent on out-of-state races.  
24 Now, non-California residents have wagered  
25 \$4.7 million on the California tracks, which represents  
26 about 23 percent of the handle that we have on California  
27 tracks. At the last meeting, reportedly, we were up to  
28 11,600 account holders in California. We're up to just  
0066  
01 now under 14,000, so we're still showing some growth.  
02 The Oregon tax issue, which has been an issue  
03 that's been raised in the past -- I'm glad to announce  
04 that yesterday, beginning yesterday, the Oregon Racing  
05 Commission approved the removal of the 0.25 percent tax  
06 for wagers by California residents. That started  
07 yesterday, opening day.  
08 Now, all wagers through TVG by California  
09 residents will not be subject to the Oregon tax; and,  
10 therefore, our hub fee is decreased from 6.25 percent to  
11 6 percent. That residual quarter point will increase the  
12 return to California racetracks and horsemen in the market  
13 access fee.  
14 We appreciate the support of the racetrack  
15 partners, TOC, ADW committee, and John Van de Kamp in  
16 particular for helping get this change in place; and we  
17 also appreciate the Oregon Racing Commission cooperating.  
18 We are announcing this week that we've entered an  
19 agreement with FOXSports.com which will allow video  
20 streaming of our races through FOXSports.com. This is a  
21 big announcement for us. FOXSports.com is the second  
22 largest sports web site, with 4 million viewers a month.  
23 That will provide many good benefits to the company and  
24 industry partners.  
25 As part of the deal, TVG will be made available  
26 to wagering subscribers both through TVGNetwork.com and

27 FOXSports.com. The video streaming is part of the new and  
28 improved FOXSports.com.

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01 MR. LANDSBURG: Is there a membership fee for that at  
02 Fox?

03 MR. ALLEVATO: No, but you have to be an account  
04 holder.

05 MR. LANDSBURG: An account holder at TVG?

06 MR. ALLEVATO: Yes.

07 MR. LANDSBURG: I wasn't clear.

08 MR. ALLEVATO: We also want to welcome the CARF tracks  
09 at TVG. They became partners in late June; and we're  
10 pleased to offer another California signal to our shows,  
11 to TVG.

12 And at this point I'd like to talk a little bit  
13 about our programming, which is something you're more  
14 familiar with.

15 MR. LANDSBURG: I salute you for allowing others to  
16 carry the signal as well.

17 MR. ALLEVATO: Thank you.

18 I want to talk a little bit about our Fox shows  
19 that we've been doing that you, I'm sure, are aware of.  
20 For the first time ever, TVG, or Racing California, was on  
21 two hours a day on Fox. And on Friday nights this  
22 provided an additional 79 hours over the Hollywood Park  
23 meet of local television coverage, which we are very, very  
24 happy. And we think it's great for horse racing in  
25 California.

26 For the first time ever, Friday nights were on  
27 Fox. So we got to expose new fans to that, we believe.  
28 And for the first time ever, Los Alamitos and quarter

0068

01 horse racing was featured on FOXSports.

02 The extent of coverage -- we also offered  
03 extended coverage for major races, something we couldn't  
04 do in the past, including Chris McCarron's final ride,  
05 which we were very happy to be a part of. We were curious  
06 to see what the response would be from viewers, because  
07 they're so used to the type of coverage and type of shows  
08 that have been going on over the years.

09 And I wanted to talk a little bit about ratings,  
10 something I'm sure Commissioner Landsburg is well familiar  
11 with. But you hear all the time about a Nielsen Rating.  
12 Nielsen is a group that provides ratings to try to measure  
13 the amount of people watching television. You'll hear a  
14 rating of 1.0, 2.0. A 1.0 represents 100,000 households  
15 in California watching TV at a given time. So that means  
16 about 100,000 people, if you had a 1.0 rating, watching.  
17 To give you a range, obviously, the Super Bowl would be  
18 like a 35 rating, which is gigantic. And any hockey will  
19 be 0.6 to 1.2.

20 Our ratings for the entire meet during the  
21 weekdays were 0.8, which is just under 100,000. That  
22 represents a 33 percent increase over the Santa Anita  
23 Alive program that aired prior to us coming on.

24 What makes that number very significant is that  
25 when you're talking about television and a supporting

26 event, the longer the show, the less chance of the ratings  
27 sustaining. If you do a half-hour show, especially with  
28 horse racing -- we're talking about a spot where people

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01 will tune in specifically for the race. The fact that the  
02 shows are now two hours, over an hour, it's very  
03 significant to increase the ratings, especially in this  
04 day when our ratings continue to go down.

05 A couple weeks ago we did a show on Sunday  
06 afternoon. They did a 1.6 rating. It was the highest  
07 rated sports show on cable that day. And what's  
08 interesting was CBS also did a show from Hollywood Park  
09 that weekend that did a 1.2 rating. And CBS is available  
10 in about twice as many homes in the Los Angeles area as  
11 Fox is. So we're really happy with those numbers.

12 One of the things we're most proud of is our  
13 coverage of the American Oaks. And I'm sure you're all  
14 aware of Hollywood Park. This American Oaks is an  
15 international event. We were approached by people at  
16 Hollywood Park who said this is the first year they're  
17 running this race. We'd like to see them get TVG  
18 involved, to help create a buzz or an interest and  
19 awareness for the race.

20 So what we did was we started a few weeks before  
21 the meet. We had Martin Panza, the Racing Secretary for  
22 Hollywood Park, come in to TVG, explain what the race was,  
23 what they were trying to do. And we really tried to  
24 create a buildup leading towards that race so that people  
25 knew that on July 6th something special was happening.  
26 Either they could watch it on TVG, they could go to the  
27 track, or they could go to ITW or OTB to be involved.

28 We had our promo department cut a special

0070

01 commercial that we ran once an hour three weeks before the  
02 event and twice an hour leading up to the event. So by  
03 the time the race rolled around, people really knew what  
04 was going on.

05 We did a special preview, 15-minute preview, on  
06 our Sports Center type show, that we talked about in the  
07 past. And on the day of the race we went to Hollywood  
08 Park. And we were live at Hollywood Park the entire day,  
09 starting at 9:00 a.m. So our show originated from  
10 Hollywood Park.

11 I'd like to take this time just to show you a  
12 two-minute tape to give you an idea of what we did.

13 (Video shown)

14 MR. ALLEVATO: It's kind of like the Cliffs Notes of  
15 our coverage.

16 What's interesting about that is that -- and Rick  
17 Baedeker at Hollywood Park can talk a little more about  
18 the numbers. But that race ended up having the highest  
19 handle of any race at Hollywood Park for the entire meet.  
20 I believe they handled \$2.2 million on that race.

21 They had a million-dollar Pick 6 that day that we  
22 promoted heavily as well. That was their highest Pick 6,  
23 at 1.47 million, I believe was the total for that. It was  
24 \$300,000, I think, higher than the next highest one. And

25 their total off-track handle that day ranked in the top  
26 two of all the days that they had. I think it was the  
27 second highest day they had for the meet.  
28 We like to believe in some small way we helped  
0071  
01 contribute to promoting that event and creating an  
02 interest for that day for a race that didn't exist up  
03 until this year.  
04 Yesterday was our first show from Del Mar.  
05 Obviously, we don't have any ratings in yet. Yesterday's  
06 show was only an hour, but from this point forward most of  
07 the shows will be two hours a day and will include  
08 Fridays. We're on from 4:00 to 6:00 every day, which is a  
09 shift from the 3:00 to 5:00 time in the past; and on  
10 Friday nights we're on 6:00 to 8:00 or 7:00 to 9:00. If  
11 we're on 7:00 to 9:00, the last hour will be made up by  
12 Los Alamitos and will be the first time Los Alamitos has  
13 got, basically, their own show on Fox.  
14 We also did a show on Sunday, the final day of  
15 the Hollywood Park, which was FOXSports of Arizona. We're  
16 going to announce next week we're going to be doing some  
17 special events on Fox New York, which is another  
18 five-and-a-half million homes. And on Labor Day our  
19 telecast will go into the markets I just mentioned and,  
20 also, Fox Rocky Mountain, which I believe is around  
21 3 million homes; but I don't have the exact number.  
22 So I think that we're pretty excited. We feel  
23 that TVG is doing something that, Roger, you talked  
24 about -- Commissioner Licht talked about in the past, and  
25 that's helping the interest in horse racing grow rather  
26 than just serving as a wagering platform. I think that's  
27 one thing about TVG that's very unique, is we are a  
28 network; we are a horse racing network.  
0072  
01 Any questions?  
02 MR. LICHT: I have a couple questions. First of all,  
03 I think your setup at Hollywood Park was tremendous that  
04 you had, with a big booth that was open all the time, with  
05 TVG feed on separate monitors. It was great. And I also  
06 think it's really good that you default the same way, I  
07 understand, that Hollywood Park defaulted to YouBet.  
08 Del Mar's video on their web site defaults to  
09 TVG. You have to have an account to get it. I don't  
10 think you have to have any money in it, but you have to at  
11 least open an account.  
12 MR. ALLEVATO: That's correct.  
13 MR. LICHT: My question is -- two questions. There  
14 was a controversy with YouBet. They were video streaming  
15 their product on ESPN, and there was some kind of problem  
16 with TVG. Was that contractual, or is that something we  
17 should know about?  
18 MR. ALLEVATO: I believe that's been resolved, but I  
19 don't have the information on it. I can get that for you.  
20 MR. LICHT: It's my information YouBet is not on the  
21 web site.  
22 MR. ALLEVATO: That's correct.  
23 MR. LICHT: That's too bad.

24 And the other thing is you are now broadcasting  
25 on the computer, video streaming on the computer?  
26 MR. ALLEVATO: Yes.  
27 MR. LICHT: And I thought we were told at a prior  
28 meeting that that violated some of your contracts with  
0073 various --  
01 various --  
02 MR. ALLEVATO: We can't video stream our entire  
03 program. What we're video streaming is just the specific  
04 races and the post parades. So when you say "video  
05 streaming," we're not showing our announcers doing  
06 commentary; you're just getting coverage from the  
07 racetrack.  
08 MR. LICHT: That's a change in your business plan,  
09 where you don't feel it's going to be an impediment or  
10 negative impact?  
11 MR. ALLEVATO: Right now we don't see that as a  
12 problem because we're not offering what we're showing on  
13 our network, exact programming.  
14 MR. LICHT: And back to the ESPN, do you have a  
15 comment of why that happened?  
16 MR. ALLEVATO: I don't know all the facts for that, so  
17 I'd be speculating.  
18 MR. HARRIS: Is your video stream on your web site?  
19 Or how do you get video streaming?  
20 MR. ALLEVATO: You can either log on to FOXSports.com  
21 or you can log on to TVGNetwork.com. And if you are an  
22 account holder -- you don't have to be an account  
23 holder -- then you can get the races.  
24 MR. LICHT: Does anybody like Cathy or John Hindman --  
25 can they comment on the ESPN situation?  
26 MR. ALLEVATO: John is not here; he had to take off to  
27 a prior engagement.  
28 Yeah, I can get you that information. Like I  
0074 said, I would just be speculating right now.  
01 said, I would just be speculating right now.  
02 MR. LANDSBURG: So we'll hold it open until we get it.  
03 And we'll have a Pari-Mutuel Committee meeting --  
04 MR. LICHT: Right.  
05 MR. LANDSBURG: -- before our next meeting. We plan  
06 to have a pari-mutuel meeting with ADW, so you can have a  
07 full report for that Board.  
08 MR. ALLEVATO: Okay.  
09 MR. HARRIS: On the credit card issue, what has your  
10 experience been? Do you have any banks who don't take  
11 credit cards?  
12 MR. ALLEVATO: We have not had an issue with that, as  
13 far as I know. We have the same concerns that you had  
14 addressed; but just like NBC, it hasn't become a problem  
15 yet. The other thing is you might want to ask YouBet to  
16 address that situation.  
17 MR. LICHT: I'm sure they'll be asked to.  
18 What Alan said about the pari-mutuel meeting --  
19 we want to take that opportunity to review it. It's been  
20 about a year since we put forth the regulations. We want  
21 to review all the regulations and make sure that anybody  
22 who wants to comment or ask to amend or change any of the



23 regulations -- it would be a good opportunity to get their  
24 comments in significantly -- or well in front of the  
25 meeting so we can talk about it and also to review that  
26 data on all the different ADW.

27 MR. LANDSBURG: Just for an informal notification, we  
28 may be changing the date of that meeting. We will let you  
0075 know as soon as we have made the determination.

02 Further comments, questions?

03 MR. HARRIS: On these account holders, do you continue  
04 to see a trend of people maintaining their money in an  
05 account? Or people signed up, and do half of them bow out  
06 and they don't come back? Or what sort of -- of a number  
07 like that, how many would be betting like something every  
08 week?

09 MR. ALLEVATO: I don't know the exact number that's  
10 out there, but I know the per capita works out to about  
11 140 -- \$140 per day that people are betting.

12 MR. HARRIS: That's quite a difference. That's of the  
13 14,000 betting?

14 MR. ALLEVATO: Of the people who are betting.

15 MR. HARRIS: How many people are betting?

16 MR. ALLEVATO: I'd have to get you the exact number on  
17 that of the active accounts.

18 MR. HARRIS: I can figure it out.

19 MR. LANDSBURG: If there are no further comments or  
20 questions, I think we can move on to YouBet and their  
21 presentation.

22 MR. BIANCO: Keep up the good work.

23 MR. CHAMPION: Charles Champion, Chief Operating  
24 Officer of YouBet.com.

25 MR. HASSON: Joseph Hasson, YouBet.com.

26 MR. CHAMPION: Good afternoon. It's nice to be back  
27 here today.

28 Mr. Hasson is going to give you the update on our  
0076 progress since our last meeting, and I'm here to answer  
02 any of the questions that the commissioners may have.

03 MR. HASSON: Since we received our license on  
04 February 22nd, through last weekend, we've handled  
05 \$14.1 million in wagers. The smallest segment of that was  
06 5.21 million for California residents wagering at  
07 California tracks; and then the next segment,  
08 7.56 million, is for California residents wagering on  
09 out-of-state tracks. Our largest segment, which is  
10 out-of-state residents wagering on California tracks,  
11 which we believe rates as a significant benefit to the  
12 California horse racing industry, is 7.1 -- 7.89 million.

13 We'd like to give you an update on our California  
14 Fairs project. We've attended all the fairs and have  
15 provided account wagering for all the fair meets. We've  
16 had good progress. We've been favorably received by the  
17 customer base, with significant sign-ups. And from what  
18 we understand from the fairs, that with the simulcasting  
19 from ADW, ours has been the highest.

20 Regarding acquisitions, I'd just like to point  
21 out that prior to our license being granted, we had

22 approximately 5,000 California customers. Although they  
23 could not wager through us, they were using our service to  
24 enjoy the horse racing. Since then we've acquired an  
25 additional 4,000, for a total of 9,000 California  
26 accounts.

27 One thing that we'd like to point out that's very  
28 important is that in addition to our California  
0077 acquisitions, we receive a large number of acquisitions  
01 from other states. And this helps to drive the handle  
02 higher in reporting additional wagerers from other states  
03 into California.

04 MR. LANDSBURG: Thank you.

05 I think there's a comment open as to the ESPN --  
06 I think we'll let Mr. Licht take the lead.

07 MR. LICHT: Oh, I'd just like to hear what you guys  
08 have to say about that, why you're not allowed to  
09 broadcast over ESPN.

10 MR. CHAMPION: We entered into a contract with  
11 Winnercomm and NTRA productions, which is a subsidiary, of  
12 course, of NTRA. We negotiated the contract approximately  
13 90 days ago and, unfortunately, ran into difficulties with  
14 the NTRA in executing the contract. Apparently, NTRA  
15 Productions had not informed the NTRA of that contract,  
16 its existence.

17 They contacted their partner, marketing partner,  
18 who has an exclusive marketing partnership, which is TVG,  
19 about that partnership. We were notified subsequently  
20 that we would not be bringing that up, that we also didn't  
21 have authorization to bring some of the signals up on that  
22 site that we believe we have. And, quite frankly, it  
23 became quite contentious.

24 And we have basically looked at several avenues,  
25 how to resolve the issue. We've asked for help from  
26 people in the industry who have stepped up and assisted us  
27 in that. We've had some conversations as late as two days  
28 ago with the parties to get it resolved.

0078 ago with the parties to get it resolved.

01 We believe now that we're very close to being  
02 able to get that site up with California content, fair  
03 content, with others' content. We're hopeful that we've  
04 gotten past this difficult moment and that we can get this  
05 done. I think it was as much confusion, miscommunication,  
06 as anything else; so --

07 MR. LANDSBURG: We'll see you at the pari-mutuel  
08 meeting that is to come.

09 Any other comments or questions?

10 Thank you, gentlemen.

11 MR. CHAMPION: The one thing I would like to address  
12 though to Commissioner Harris, if I might, which is the  
13 question around credit cards -- just to keep the record  
14 clear and to have full disclosure, Magna XpressBet is not  
15 the only company that is charging credit card fees.  
16 YouBet is, in fact, now charging credit card fees. And,  
17 in fact, they're not at 3 percent; they're at  
18 3.98 percent. That was instituted approximately 30 days  
19 ago.  
20

21 I should also tell you there's not been found any  
22 effect on credit card transactions from our customers as a  
23 result of that; and that with some of the research that we  
24 did, we didn't anticipate there would be.

25 Credit cards are becoming an increasing problem  
26 for YouBet, as I believe they will be for ADW's in  
27 general. CitiBank is a specific credit card we have a  
28 100 percent decline on and is identified as one that -- if  
0079 one of our users attempts to use it, that they're not  
02 going to be successful.

03 Also, as most of you may know, there are states  
04 that prohibit us from funding credit card -- or funding  
05 ADW's through credit cards, Massachusetts being one of  
06 them, and Maryland having a restriction on when those  
07 funds are made available once that credit card is used.  
08 So we have put into place methods by which we block those  
09 customers from using credit cards in the states and/or  
10 have put holds on those funds.

11 The other issue that I think is important to know  
12 is that credit card companies that are using it are taking  
13 out larger reserves, six-month rolling reserves on the  
14 account. So when someone funds through a credit card  
15 account, they basically are withholding funds from us.  
16 And so that's a real problem for us, as these accounts  
17 grow to -- now we have on reserve approximately \$750,000  
18 being held back through this process.

19 MR. HARRIS: A credit card problem is a concern, I  
20 think, to the whole industry; but there are different ways  
21 to approach it. But it follows that the banks are taking  
22 it upon themselves to deem legal gambling to be unsavory.  
23 But some of the same banks that are taking credit card  
24 deposits on pornographic sites are choosing not to do it  
25 on this site. I think if you disguise yours as a  
26 pornographic site, you would be all right.

27 But I take it the industry needs to work with the  
28 banks to explain the difference between legal gambling and  
0080 illegal gambling (inaudible).

02 But as I understand it, you have somewhat of a  
03 unique service on your site, which I think I used, where a  
04 person can basically draw on their own bank account.

05 MR. CHAMPION: Yes. We have -- it's express cash.  
06 And it's our ACH deposit electronic check.

07 We're doing now over a million dollars a week in  
08 ACH deposits and believe that that is going to be probably  
09 the most effective and efficient way for our customers to  
10 be able to fund these accounts and for us to return the  
11 funds to them when they request them.

12 MR. HARRIS: There's no fees on that?

13 MR. CHAMPION: No, there's not.

14 MR. LANDSBURG: Further discussion?

15 MR. CHAMPION: Thank you very much.

16 MR. LANDSBURG: Thank you.

17 We are now open for general business,  
18 communications reports, requests for future action of the  
19 Board.

20 MR. BRAVER: Hello, my name is Michael Braver; and I  
21 represent a number of other professional individuals.  
22 I apologize -- I'm not sure how your hierarchical  
23 structure works here, so bear with me; but my  
24 understanding is that my address in this case is primarily  
25 to Mr. Wood, Ms. Granzella, and Mr. Bianco. And this  
26 regards the stewards' actions or lack of actions in the  
27 sunset handicap at Hollywood Park on Sunday.  
28 Now, I'm sure that you folks have had many people

0081  
01 complain and discuss subjective decisions that stewards  
02 make about racing. And, you know, I'm, frankly, you know,  
03 intimidated by Mr. McCarron being next to me, who is, you  
04 know, one of my idols.

05 But the fact is that in our opinion this is not a  
06 situation that's subjective. This is a blatant disregard  
07 for racing, for the public, and for the trust that people  
08 instill in you folks.

09 I am not alleging any conspiracy theories or  
10 corruption, but I am certainly alleging extreme  
11 incompetence. And I would like to know what you folks  
12 intend to do about the lack of actions by the stewards,  
13 without going into the details of the race, which I assume  
14 you would have run and rerun considering these are your  
15 individuals that are reporting to you.

16 I'd like to know specifically what you've done in  
17 terms of discussing this with them, in terms of  
18 reprimanding them, in terms of firing them, in terms of  
19 making an apology to the public. I'm not asking for any  
20 funds to be reimbursed. I understand that's an  
21 impossibility. But I'd like to get a response on that,  
22 please.

23 MR. LANDSBURG: Whether or not it is a subjective  
24 judgment, it is a judgment that we allow under the rules  
25 and we encourage under the rules at the moment.

26 We have always -- we have a number of discussions  
27 each month, in fact, about whether a rose is a rose is a  
28 rose, a foul is a foul is a foul, or not. The problem

0082  
01 that exists is that there are more points of view than you  
02 are now expressing. You may be annoyed about one race;  
03 there are probably 100 races out of the thousands of races  
04 that we run in California in which an inquiry is called  
05 and in which the process of a decision is largely final.

06 We have continuing education and discussions and  
07 meetings with our stewards in order to maintain a rule  
08 of -- in order to maintain the rules that we have set  
09 down. One of those rules says that "Does the foul affect  
10 the outcome of the race as it is seen and voted upon by  
11 the stewards?"

12 That's a rule. You may not like it. I don't  
13 like it. But that is a rule that we follow. And there  
14 are rules that you will find that we don't like as  
15 individuals but, as a Board, we enforce.

16 The continuing education, continuing meetings  
17 held by the staff, with stewards, is intended to avoid  
18 incidents in which there may be -- and I'm going to,

19 unfortunately, disagree with you that something should be  
20 done about that, because we have to go over it carefully;  
21 we have to measure it; we have to say why the event  
22 occurred, what the stewards' ruling was.  
23 But they do vote in that booth, and that vote is  
24 final in terms of that race. It's not going to be  
25 overturned unless somebody wants to try and spend millions  
26 of dollars in lawsuits.  
27 We do have a rule -- whether that rule is right  
28 or not is up for discussion at any time -- and the rule is  
0083  
01 that stewards must determine by vote among them whether or  
02 not the foul that occurred affected the final outcome of  
03 the race.  
04 There is nothing more we can tell you about that.  
05 That's the rule. That's the decision. And we will  
06 continue to follow it until this Board determines that we  
07 want a rose is a rose is a rose, a foul is a foul is a  
08 foul. It isn't in existence, to my knowledge, anywhere in  
09 this country.  
10 MR. BRAVER: If I may address that, sir, when you say  
11 the final outcome --  
12 MR. LANDSBURG: I don't want to go into a debate with  
13 you.  
14 MR. BRAVER: I'm not debating it. I just would like  
15 to speak directly to what you just said.  
16 You talked about the final outcome of the race.  
17 My understanding is the final outcome of the race does not  
18 necessarily mean whether it would affect the winning horse  
19 but whether it would affect the placing of other horses.  
20 MR. LANDSBURG: It absolutely does.  
21 MR. BRAVER: Right. Am I correct in that?  
22 MR. LANDSBURG: It actually affects any horse in any  
23 position.  
24 MR. BRAVER: Right. And if you believe that in the  
25 case on Sunday --  
26 MR. LANDSBURG: I do not comment on individual cases.  
27 MR. BRAVER: I'm not asking you to.  
28 MR. LANDSBURG: Well, you're asking me if I believe.  
0084  
01 Let's not have this as a debate between you and me. I've  
02 given you a Board decision. I think I've considered what  
03 you're trying to say. It's not a new argument. It's been  
04 here ever since the rule was in effect.  
05 MR. BRAVER: Right. And if I might just -- I won't  
06 address that point anymore. I just want to address what  
07 you won't allow me to say.  
08 Clearly by your defensiveness, sir, this is a  
09 bureaucracy. It's the same way your 10-minute break  
10 turned into a 35-minute break, so you could fraternize.  
11 All I want to tell you is --  
12 MR. LANDSBURG: I object to your characterization. I  
13 would ask you to sit down. This has now become personal.  
14 Please sit down.  
15 MR. BRAVER: It has nothing to do with you. I will  
16 sit down. I'll just tell you that, unfortunately, because  
17 of your behavior, we will pursue it in other ways we have

18 available to us, instead of addressing it professionally.

19 Thank you.

20 MR. MC CARRON: Chris McCarron representing the  
21 Jockeys' Guild.

22 In light of the recent directive issued by the  
23 Board with regard to the use of shock wave therapy, the  
24 Jockeys' Guild would like to go on record as being opposed  
25 to the use of the machine in a racetrack setting.

26 That being said, we are very grateful that you  
27 have taken the initiative to issue the directive, and we  
28 view that as an attempt to control the use of the machine.

0085

01 And we're appreciative of that.

02 MR. LANDSBURG: And there will be a further report on  
03 that from this Board when we have some indication of what  
04 has gone on at the track during the month in which the  
05 rule has come into effect. It's now two days old. We  
06 must measure it. We will be able to measure it more  
07 carefully by the end of the month. And we think that we  
08 have put in process a means of at least bringing it under  
09 some control.

10 MR. MC CARRON: Thank you.

11 MR. LANDSBURG: Thank you.

12 MR. HARRIS: I think, too, we could ask our equine  
13 medical investigator to give the Board a report on any  
14 research that is in place on the efficacy or damage and  
15 things that may or may not happen with the shock wave  
16 therapy.

17 MR. LANDSBURG: I think that will come at the end of  
18 this month.

19 MR. HARRIS: Well, I think it's more than just what  
20 happens here. I think -- I assume that this is a subject  
21 that's being researched at different places. We just need  
22 to get it all together and see what's out there.

23 MR. LANDSBURG: I think we have one of the best  
24 indicators, based on the rules that we have so far --

25 MR. HARRIS: Well, all we've done so far is say you  
26 can't use it within seven days of a race.

27 MR. LANDSBURG: No, but I think there's much more to  
28 it.

0086

01 MR. WOOD: Additional to the directive of procedures  
02 that were set in place beginning the 24th of this month,  
03 with the cooperation of Del Mar and with the cooperation  
04 of the track veterinarians here at Del Mar, we are asking  
05 that the use of the equipment be conducted only in the  
06 equine hospital here on the racetrack. And I wanted to  
07 thank everybody who had participated in that situation to  
08 allow that to take place.

09 That gives us another area to try to monitor the  
10 use of equipment. Not only with the seven-day time that  
11 you have to wait before you can enter your horse to run,  
12 and not only the fact that this has to be operated and  
13 owned by a veterinarian, we believe this additional step  
14 is going to help us to try to get a hold on what this  
15 equipment does and how it's been used.

16 And, hopefully, California will set the stage for

17 the country for following the use or nonuse as it  
18 continues. And we thank the Guild for their position.  
19 And we thank the vets here at Del Mar, and the track, for  
20 helping us implement this policy.

21 MR. LANDSBURG: Further comments from the audience?

22 Old business issues that were raised for  
23 discussion purposes have already been brought to the  
24 Board.

25 Is there any old business we should be  
26 discussing?

27 In which case this part of the California Horse  
28 Racing Board meeting is concluded. The meeting will

0087

01 continue in executive session.

02 (Meeting concluded at 12:35 p.m.)

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